

**FINANCIAL ACCOUNTING
FOR
NEW JERSEY ABBOTT SCHOOL DISTRICTS**

Abbott Addendum to

The Audit Program

2003-2004

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DEPARTMENT OF EDUCATION
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ABBOTT ADDENDUM TO THE AUDIT PROGRAM 2003-04

Table of Contents

Description	Page
Table of Contents	1
Significant Changes for 2003-04	3
Introduction	7
Schoolwide Programs	9
Outline for Comprehensive Annual Financial Report (CAFR)	11
Section I	
Abbott School District Schedule Instructions:	
School-Level Schedules:	
Blended Resource Fund 15 – Schedules of Blended Expenditures – Budget and Actual (Exhibit D-3 series)	14
Blended Resource Fund 15 – Schedule of Expenditures Allocated by Resource Type– Actual (Exhibit D-2 series)	22
General Fund Combining Balance Sheet – (Exhibit D-1)	28
Combining Budgetary Comparison Schedule – General Fund (Exhibit C-1a)	30
Section II	
Selected Schedule/Statement Instructions:	
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund (Exhibit C-1)	36
Budgetary Comparison Schedule – Special Revenue Fund (Exhibit C-2)	39
Other Supplementary Information:	
Special Revenue Fund Combining Schedule of Program Revenues and Expenditures – Budgetary Basis (Exhibit E-1)	42
Supporting Worksheet:	
Worksheet of Reserve for Encumbrances Allocated by Resource Type for Goods or Services Received After June 30, 2004	49
Selected Basic Financial Statements/Note Instructions	
Governmental Funds – Balance Sheet (Exhibit B-1)	50
Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B-2)	51
Notes to Required Supplementary Information- Reconciliation from Budget to GAAP Information (Exhibit C-3)	52

ABBOTT ADDENDUM TO THE AUDIT PROGRAM 2003-04

Table of Contents (continued)

Description	Page
Special Revenue Fund	
Preparing the Restricted State Aid Schedules (Exhibits E-2, E-3 and E-4) Calculation of DEPA Budget & Carryover in a Non-Whole School Reform School in an Abbott School District (Exhibit E-2 Series)	53
Preparing the DEPA Restricted Aid Schedules (Exhibit E-2 Series)	54
Preparing the ECPA Restricted Aid Schedule (Exhibit E-3)	59
Preparing the DLNA Restricted Aid Schedule (Exhibit E-4)	62
Single Audit Section	65
Schedule of Expenditures of Federal Awards - (Exhibit K-3)	67
Schedule of Expenditures of State Financial Assistance -(Exhibit K-4)	68
Notes to Schedules of Expenditures of Awards and Financial Assistance (Exhibit K-5)	69
Excess Surplus Calculation and Instructions for Abbott School Districts	70
TPAF and FICA Reimbursement for WSR Schools	78
Procedures for Auditing Fund 15 Expenditures	
Introduction/Overview of Fund 15/ Schoolwide Program Status	80
Auditor Testing Requirements	81
Special Education Medicaid Initiative (SEMI) Program and Medicaid Administrative Claiming	83
Appendix	
WSR TPAF and FICA Calculation to Comply with N.J.S.A. 18A:66-90 - Sample Abbott School District Calculation (Including School-based Calculation of Title I and All Other Federal Program Salaries)	Appendix A-1 series
SEMI – June 11, 2003 NJ letter to school districts	Appendix B

SIGNIFICANT CHANGES FOR 2003-04

Highlighted paragraphs and sentences in this Addendum correspond to significant changes or information expanded in 2003-04. Minor changes to dates and other sentences are not highlighted. School district personnel and their auditors are encouraged to read the entire document for the most comprehensive understanding of auditing and reporting Fund 15 and to read the “Changes” section of the Introduction in The Audit Program for changes which are related to all school districts.

Distance Learning Network Aid (DLNA)

Effective with the 2003-04 budget, DLNA is no longer provided as a special revenue fund restricted aid. The *Schedule of Expenditures Allocated by Resource Type – Actual (Exhibit D-2)* is illustrated without the DLNA allocation line, but will include carryover from 2002-03 and current expenditures, if any. Any carryover from 2002-03 is still reported as DLNA Carryover on the *Schedule of Expenditures of State Financial Assistance*.

Last State Aid Payment

The last state aid payment for the fiscal year ending 2003-04 will be made in July 2004. For budgetary purposes only, the 2003-04 CEIFA payment made in July 2004 is considered revenue in 2003-04 pursuant to P.L. 2003, c. 97. The final 2002-03 state aid payment that was paid by the state in July 2003 will be recognized as revenue in 2003-04 for GAAP financial statements. School districts and public school auditors should reference The Audit Program Section I-8.10 through 16 for detailed guidance on this adjustment and Section III-3.4 through III-3.7 and III-3.10 for financial statement disclosures.

Combining Balance Sheet

The June 30, 2004 General Fund *Combining Balance Sheet* is required to be included in the CAFR as Exhibit D-1.

Fund 15 Encumbrances

Fund 15 encumbrances at June 30, 2004 are required to be presented on the General Fund *Combining Balance Sheet* as fund balance reserved for encumbrances. In prior years, the Fund 15 June 30, fund balance reserved for encumbrances was presented as deferred revenue on the *Balance Sheet*.

Encumbrance Testing

The procedures outlined in the Encumbrance HOTLINE issued by Assistant Commissioner Rosenberg on September 16, 2003, available at the web site <http://www.nj.gov/njded/finance/fp/audit/0304/po.pdf> and included in The Audit Program should be applied to all encumbrances regardless of the source of funds in Abbott school districts. This includes general fund district-wide encumbrances, school-level encumbrances, preschool program encumbrances, ECPA, DEPA encumbrances, etc.

New Jersey Administrative Code Revisions during Fiscal Year 2004

New Jersey Administrative Code as it relates to Abbott school districts was revised twice during fiscal year 2004. *N.J.A.C.* 6A:10A, effective September 9, 2003 supercedes *N.J.A.C.* 6A:24 and *N.J.A.C.* 6A:23-2.3. *N.J.A.C.* 6A:10A was then amended on May 25, 2004 and supercedes *N.J.A.C.* 6A:24 and *N.J.A.C.* 6A:23 where inconsistencies occur. These amendments impact the requirements for school districts to obtain department approval on budgetary transfers during fiscal year 2004 and the process school districts were to follow when applying for and the department was to follow when approving discretionary education opportunity aid (DEOA), formerly additional Abbott v. Burke state aid, or additional supplemental funding, for fiscal year 2005.

N.J.A.C. 6A:10A-7.1(i) Prohibits Abbott School Districts Requesting DEOA in 2004-05 from Establishing Tuition Reserves at June 30, 2004

N.J.A.C. 6A:10A-7.1(i) states, “Any district board of education receiving DEOA in the current year or requesting DEOA in the subsequent budget year shall not establish a tuition reserve at June 30 of the current year as provided for in the *N.J.A.C.6A:23-3.1(f)8*.”

Department Approval of Budgetary Transfers

Transfers from instructional accounts to non-instructional accounts require department approval pursuant to *N.J.S.A 18A:7F-6(c)*. In accordance with *N.J.S.A 18A:7F-6(c)*, if the Commissioner directs reallocation of funds from or between instructional accounts or from or between non-instructional accounts in the proposed budget, the school district shall not transfer any funds to or from those accounts that were subject to reallocation without the prior approval of the Commissioner pursuant to *N.J.S.A 18A:7F-6(c)*. The amendments to New Jersey Administrative Code in September 2003 and May 2004 eased the requirements of Abbott school districts to apply to the department for approval on school-level transfers, but do not supercede *N.J.S.A 18A:7F-6(c)*. *N.J.A.C. 6A:10A-8.1(a)6*, effective May 25, 2004 requires department approval on all transfers into and out of charter school appropriation lines in the district-wide budget.

School District Budgets for 2003-04 and Confirmation of 2004-05 School District Budget Codes with the Office of Fiscal Review and Improvement

Auditors shall ensure that the 2003-04 budget used to prepare the June 30, 2004 CAFR is the 2003-04 budget approved by the department. Budget appeals and Supreme Court decisions delayed the approval process for 2003-04 budgets. Abbott school districts were issued 2003-04 budget approval letters by the Division of Abbott Implementation. Auditors should obtain a copy of the school district’s approval letter, which contains the 4-digit code and date that appear on the approved budget to ensure the correct version of the budget is used to prepare the CAFR.

Auditors shall confirm the 4-digit code and date of the 2004-05 budget to be used for budgeted carryovers and fund balance designated for subsequent year’s expenditures with the Office of Fiscal Review and Improvement in the Division of Abbott Implementation to ensure the correct version of the 2004-05 budget is used when preparing the June 30, 2004 CAFR. Confirmation requests should be directed to Glenn Forney, director, Office of Fiscal Review and Improvement, Division of Abbott Implementation at (609) 292-4942 or Mr. Glenn Forney, State of New Jersey, Office of Fiscal Review and Improvement, Division of Abbott Implementation, P.O. Box 500, Trenton, New Jersey 08625-0500. This procedure is not necessary for Abbott school districts that have approved 2004-05 budgets upon completion of audit fieldwork. Abbott school districts with approved 2004-05 budgets will have approval letters from the Division of Abbott Implementation, signed by Assistant Commissioner MacInnes indicating the date and 4-digit code of the budget approved by the department.

Original Budget

The original budget column in the CAFR shall include the final 2003-04 budget approved by the department plus the rollover of June 30, 2003 encumbrances. Auditors should obtain a copy of the school district’s approval letter, which contains the 4-digit code and date that appear on the approved budget to ensure the correct version of the budget is used to prepare the CAFR.

Cost Savings Programs

N.J.A.C. 6A:10A-7.1(f)5iii requires Abbott school districts to participate in available cost-saving programs that include at least the Alliance for Competitive Energy Services (ACES), the Alliance for Competitive

Telecommunications (ACT), the New Jersey School Boards Association Insurance Group (NJSBAIG), the New Jersey State Health Benefits Plan, and to be current in submitting all claims for reimbursable costs under the Federal “e-rate” program for encouraging the use of the internet. Abbott school districts that are currently not members of these cost-saving programs are required to document their membership by September 1, 2004 or demonstrate savings equal to or greater than members.

Auditors are required to determine whether the school district was participating in the cost savings programs listed in *N.J.A.C. 6A:10A-7.1(f)5iii* during 2003-04 and document whether or not the school district is participating in the cost savings programs on the Audit Questionnaire. If school districts were not members of the cost savings programs listed in *N.J.A.C. 6A:10A-7.1(f)iii* during 2003-04, auditors are required to determine why the school district was not participating in the programs and document that on the Audit Questionnaire. Auditors are also required to determine whether the school district is maximizing its participation in all areas of the Federal e-rate program. As part of their subsequent events testing, auditors are required to determine and then document in the Auditor’s Questionnaire whether the school district became a member of the cost savings programs listed in *N.J.A.C. 6A:10A-7.1(f)5iii* by September 1, 2004 and if the school district has not enrolled in those cost savings programs, the auditor is required to document on the Audit Questionnaire why the school district has not enrolled in the cost savings programs.

Cash Disbursement Testing Enhancement

Auditors’ cash disbursement testing procedures should include reviewing disbursements to determine whether penalties or interest costs were incurred and whether the school district took full advantage of allowable discounts for prompt payment. School districts should not be taking advantage of discounts that are in violation of the Public Schools Contracts Law, *N.J.S.A. 18A* or *N.J.A.C. 6A:23*. Paying penalty and interest costs or the failure to take full advantage of allowable discounts for prompt payment are violations of *N.J.A.C. 6A:10A-7.1(f)5viii* and noted instances, including the amounts noted during testing, must be reported in the Auditor’s Management Report. Auditors are directed to test for penalties, interest and allowable prompt payment discounts during their review of the school districts’ internal controls and the application of standard testing methods, as well as during compliance testing and the performance of single audit procedures. That is, each general fund (including Fund 15) or special revenue fund expenditure transaction tested for those procedures must also be tested for penalties, interest and allowable discounts. Questions have been added to the Audit Questionnaire regarding interest, penalties and forfeited discounts and the dollar amount of such items noted during audit testing.

Demonstrably Effective Program Aid (DEPA) in Schools not Implementing Whole School Reform (WSR)

Beginning in 2003-04, school districts are not required to budget and account for DEPA by program/strategy for each non-WSR school. An itemized accounting setting forth the precise allocation of DEPA funds (i.e., price per unit and quantities, hourly rate and number of hours worked in the case of stipends) is still required to support each demonstrably effective program activity listed in the DEPA Operational Plan for each school. School districts are required to budget the total cost of each strategy and provide a detailed budget by each school. For financial statement reporting, DEPA schedules will reflect detail by school but not by program/strategy. Sample schedules in this document have been revised to illustrate the change.

Capital Assets

Refer to The Audit Program Section II-CA for discussion on the financial reporting of capital assets in general and specifically for recording noncash donations of capital assets. Donated capital assets are reported in the *Statement of Net Assets* at their estimated fair value at the time of acquisition plus ancillary charges, if any. Information on the value of School Construction Corporation (SCC) constructed assets should be obtained from the SCC. No asset or revenue is reported in the governmental funds. For the *Schedule of State Financial Assistance* (Schedule B, Exhibit K-4), the value of facilities constructed by SCC should be reported in the

capital projects fund section. The notation (NC) for non-cash may be entered after the amount. The *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets* will include the value of donated capital assets. The capital asset disclosures to the financial statements also should include the value of donated assets in the “Additions” column.

School districts should record any local contribution for SCC constructed projects in the capital projects fund (*N.J.A.C.* 6A:26-4.1). If a school district undertakes a project for which it is or will be reimbursed by SCC, such as the under \$500,000 projects (*N.J.S.A.* 18A:7G-13(a)), the expenditures should be recorded in the Capital Projects Fund.

Excess Surplus Calculation

P.L.2004, c. 73 (S1701), was signed by the Governor on July 1, 2004 and impacts the year-end excess surplus calculation for 2003-04 and years thereafter. The legislation reduced the amount of allowable surplus that may be maintained by a school district, other than a county vocational school district. A school district which did not receive additional Abbott v. Burke state aid in 2003-04 or DEOA for 2004-05 must appropriate undesignated general fund balance in excess of 3% of the budgeted general fund for the 2003-04 year or \$100,000, whichever is greater. There is no longer a different rate for school districts which have a general fund budget that exceeds \$100 million (except county vocational school districts). The sample calculation in this Addendum has been revised accordingly.

INTRODUCTION

As a result of the May 21, 1998 Abbott v. Burke Supreme Court decision, Abbott school districts were required to submit school-based budgets for those schools implementing Whole School Reform [WSR] in addition to their district-wide budget for all other appropriations. This Addendum addresses audit and reporting issues specific to Abbott school districts implementing WSR and preparing school-based budgets.

The Blended Resource Fund (Fund 15), a subfund of the general fund, was created to allow budgeting of school-level appropriations and accounting for school-level expenditures. *N.J.A.C.* 6A:24-4.4(a)4 and *N.J.A.C.* 6A:10A-8.1(a)1 require all local, State and Federal funds to be considered general funds available for WSR activities, notwithstanding any restrictions that would otherwise apply, except where prohibited by federal law.

As a result of *N.J.A.C.* 6A:24-4.4(a)4 and 6A:10A-8.1(a)1, the general fund in an Abbott school district includes Funds 11–13, which collectively represent the operating fund of the school district, and a Fund 15 for each WSR school. Fund 15 is school-level accounting while Funds 11 – 13 are district-level accounting. Transfers to Fund 15 from the general fund (Fund 11) or from the special revenue fund (Fund 20) are reflected as “Contribution to WSR”.

The instructions in this document will assist in the preparation of the additional statements/schedules and the modifications to the existing schedules required to report WSR activities. School district staff and their auditors should refer to the NJDOE web site <http://www.nj.gov/njded/finance/fp/gasb34/outline.shtml> for sample statements which can be downloaded and are available for use in the excel format. The sample statements are not all inclusive. Note that in certain illustrative schedules in this Addendum, only the first and last pages are included. The entire *Special Revenue Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-1) is included to show the amounts which are used in other schedules. The Instructional Supplemental Aid (ISA) is not applicable to Abbott school districts, but is included as part of the sample statements which are also on the website noted above for use by all school districts.

The outline below provides an overview of the statements or schedules discussed in this Addendum.

Section I

Additional schedules for Abbott school districts (illustrations are included in this document)

<u>CAFR statement/schedule title</u>	<u>CAFR Exhibit No.</u>
Blended Resource Fund 15 - Schedule of Blended Expenditures - Budget and Actual [for each WSR school and a district-wide summary]	Exhibit D-3 series
Blended Resource Fund 15 - Schedule of Expenditures Allocated by Resource Type - Actual [for each WSR school and a district-wide summary]	Exhibit D-2 series
General Fund – Combining Balance Sheet	Exhibit D-1
Combining Budgetary Comparison Schedule – General Fund	Exhibit C-1a

Worksheet of Encumbrances Allocated by Resource Type for Goods or Services Received after June 30, 2004 (Encumbrance Worksheet) [not included in the CAFR but needed to prepare the Budgetary Comparison Schedule – Special Revenue Fund]	N/A
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Section II

Schedules which are required for all school districts, minor modifications needed to include the Fund 15 WSR activities (illustrations are in this Addendum).

Budgetary Comparison Schedule - General Fund	Exhibit C-1
Budgetary Comparison Schedule – Special Revenue Fund	Exhibit C-2
Special Revenue Fund Combining Schedule of Revenues and Expenditures – Budgetary Basis	Exhibit E-1
Restricted State Aid Schedules	
▪ Demonstrably Effective Program Aid (DEPA)	Exhibit E-2 series
▪ Early Childhood Program Aid (ECPA)	Exhibit E-3
▪ Distance Learning Network Aid (DLNA)	Exhibit E-4

Schedules required for compliance with Single Audit; illustrations are in this Addendum.

Schedule of Expenditures of Federal Awards/Schedule A	Exhibit K 3
Schedule of Expenditures of State Financial Assistance/Schedule B	Exhibit K 4
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	Exhibit K-5

Schedules required under GAAP with minor modifications to include the Fund 15 WSR activities. (Examples are not included in this document, instead see NJDOE web site www.nj.gov/njded/finance/fp/gasb34/outline.shtml)

Governmental Funds – Balance Sheet	Exhibit B-1
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit B-2
Notes to Required Supplementary Information	Exhibit C -3

No Child Left Behind (NCLB)

Budgeting and accounting procedures for NCLB Consolidated Formula Subgrant funds were revised in 2002-03. As in 2002-03, “increases” in federal funds allocated to LEAs and schools above the 2001-2002 levels must be accounted for in the Special Revenue Fund (Fund 20) and not combined in the blended resource school-based budgets for schools with schoolwide program status. Non-schoolwide program schools should continue to budget and account for all federal grants in Fund 20 and schoolwide program schools were to develop budgets blending no more than the amount of federal program funds blended in 2001-02.

While separate budgeting and accounting, in Fund 20, for increases in federal funds under NCLB is not required for schoolwide program schools under federal statute and regulations, the department requires this to enable a clear delineation and accounting of the additional funds for new initiatives and programs consistent with NCLB, Abbott programs and services and schoolwide educational improvements. Abbott school districts should refer to page 4 of the 2003-04 Abbott Addendum to the Budget Guidelines for further guidance on blending federal resources. That Addendum is available at the web site. <http://www.nj.gov/njded/finance/fp/audit/0304/>.

SCHOOLWIDE PROGRAMS

One of the requirements of implementing schoolwide programs is to integrate, whenever possible, all local, state and federal resources into one funding stream for the WSR implementation plan. It is therefore important that school districts are cognizant of the federal laws permitting blending of federal resources, particularly the Improving America’s Schools Act of 1994 (IASA) P.L. 103-382, amendments to the Elementary and Secondary Education Act of 1965 (ESEA), Title I, Part A. ESEA was reauthorized by the No Child Left Behind Act of 2001 (NCLB) (P. L. No. 107-110 enacted January 8, 2002). Refer to <http://www.nclb.gov> and <http://www.nj.gov/njded/grants/entitlement/nclb/> for details of NCLB. In addition, the United States Department of Education (USDOE) website (www.ed.gov) provides written guidance, program ideas and audit information on schoolwide programs at <http://www.ed.gov/admins/lead/account/swp.html?exp=0> as well as a power point presentation on school wide programs at <http://www.ed.gov/admins/lead/account/sw/edlite-index.html>. Title I information is at <http://www.ed.gov/programs/titleiparta/legislation.html?exp=0>.

The basics of a schoolwide program are summarized below. The above resources should be referenced for more detailed and specific information relating to operating a schoolwide program.

NCLB permits a local educational agency (LEA) to consolidate and blend funds “together with other federal, state and local funds, in order to upgrade the entire educational program of a school that serves an eligible school attendance area in which not less than 40 percent of the children are from low-income families, or not less than 40 percent of the children enrolled in the school are from such families” (NCLB §1114). The purpose is to increase the academic achievement for **all** students in the school by allowing schools to integrate their programs, strategies and resources.

A Title I targeted assistance program uses Title I, Part A funds only for the provision of supplementary educational services to eligible children who are failing, or at risk of failing, to meet state standards. In a Title I schoolwide program, a school is not required to provide supplementary services to identified children but instead can upgrade the entire educational program in the school.

In order to be eligible for a Title I schoolwide program, the school must be eligible for the Title I program; receive Title I, Part A funds; have at least 40 percent of the children enrolled in the school or residing in the

school attendance area be from low-income families; comply with a year of planning; and, meet the nine essential program components. Title I eligibility and the 40 percent poverty level is determined using the Title I Eligibility of Public Schools form located in the NCLB Consolidated Subgrant Application. To promote effective, long-term planning, a school can maintain its schoolwide program eligibility even if it drops below the 40 percent poverty threshold. However, the school must still meet Title I eligibility and receive Title I funds.

If a specific school wants to operate a Title I schoolwide program but does not meet the poverty requirements, the LEA, on behalf of the school, must apply directly to the federal government for a waiver of the poverty requirements. Refer to the 2003-04 NCLB Consolidated Application Guidelines on the New Jersey Department of Education (NJDOE) website at <http://www.state.nj.us/njded/grants/entitlement/nclb/> to obtain the process and the timelines.

Title I eligibility is a prerequisite of schoolwide program eligibility. Without an approved schoolwide program, a school is not permitted to blend federal funds with state and local funds. These ineligible Abbott schools may only blend state and local funds. LEAs on behalf of their schools may submit a waiver request to USDOE.

Only eligible Title I schools receiving Title I funds may operate schoolwide programs.

OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION

	Page
Letter of Transmittal	
Organizational Chart	
Roster of Officials	
Consultants and Advisors	

FINANCIAL SECTION

Independent Auditor's Report	
---	--

Required Supplementary Information - Part I

Management's Discussion and Analysis	
--	--

Basic Financial Statements

A.	District-wide Financial Statements:	
	A-1 Statement of Net Assets	
	A-2 Statement of Activities	
B.	Fund Financial Statements:	
	Governmental Funds:	
	B-1 Balance Sheet	
	B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	
	B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	
	Proprietary Funds:	
	B-4 Statement of Net Assets	
	B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	
	B-6 Statement of Cash Flows	
	Fiduciary Funds:	
	B-7 Statement of Fiduciary Net Assets	
	B-8 Statement of Changes in Fiduciary Net Assets	

Notes to the Financial Statements	
--	--

Required Supplementary Information - Part II

C.	Budgetary Comparison Schedules:	
	C-1 Budgetary Comparison Schedule - General Fund	
	C-1a Combining Budgetary Comparison Schedule - General Fund	
	C-2 Budgetary Comparison Schedule - Special Revenue Fund	

Notes to Required Supplementary Information:

C-3	Budget to GAAP Reconciliation	
-----	-------------------------------------	--

Other Supplementary Information

- D. School-Level Schedules (General Fund):
- D-1 Combining Balance Sheet (Required)
 - D-2 Blended Resource Fund –Schedule of Expenditures Allocated by
Resource Type – Actual
 - D-3 Blended Resource Fund –Schedule of Blended Expenditures – Budget
and Actual
- E. Special Revenue Fund:
- E-1 Combining Schedule of Program Revenues and Expenditures
Special Revenue Fund – Budgetary Basis.....
 - E-2 Demonstrably Effective Program Aid Schedule of Expenditures –
Budgetary Basis
 - E-3 Early Childhood Program Aid Schedule of Expenditures – Budgetary
Basis
 - E-4 Distance Learning Network Aid Schedule of Expenditures –
Budgetary Basis
 - E-5 Instructional Supplement Aid Schedule of Expenditures – Budgetary
Basis
- F. Capital Projects Fund:
- F-1 Summary Schedule of Project Expenditures
- G. Proprietary Funds:
- Enterprise Fund:
- G-1 Combining Schedule of Net Assets
 - G-2 Combining Schedule of Revenues, Expenses and Changes in Fund
Net Assets
 - G-3 Combining Schedule of Cash Flows.....
- Internal Service Fund:
- G-4 Combining Statement of Net Assets.....
 - G-5 Combining Statement of Revenues, Expenses, and Changes in Fund
Net Assets
 - G-6 Combining Statement of Cash Flows
- H. Fiduciary Funds:
- H-1 Combining Statement of Fiduciary Net Assets.....
 - H-2 Combining Statement of Changes in Fiduciary Net Assets.....
 - H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....
 - H-4 Payroll Agency Fund Schedule of Receipts and Disbursements
- I. Long-Term Debt:
- I-1 Schedule of Serial Bonds.....
 - I-2 Schedule of Obligations under Capital Leases
 - I-3 Budgetary Comparison Schedule - Debt Service Fund.....

STATISTICAL SECTION (Unaudited)

J-1	Governmental Fund Expenditures by Function
J-2	Governmental Fund Revenues by Source.....
J-3	Municipal Property Tax Levies and Collections
J-4	Assessed and Estimated Actual Value of Taxable Property
J-5	Property Tax Rates - Direct and Overlapping Governments
J-6	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....
J-7	Computation of Legal Debt Margin
J-8	Computation of Direct and Overlapping Bonded Debt
J-9	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total Governmental Fund Expenditures
J-10	Demographic Statistics
J-11	Schedule of Principal Taxpayers*
J-12	Attendance Data
J-13	Insurance Schedule
J-14	Miscellaneous Statistics.....
J-15	General Fund Other Local Revenue by Source

* Private citizens should be listed as individual taxpayer 1, individual taxpayer 2, etc.

SINGLE AUDIT SECTION

K-1	Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
K-2	Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04
K-3	Schedule of Expenditures of Federal Awards, Schedule A
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B.....
K-5	Notes to the Schedules of Awards and Financial Assistance
K-6	Schedule of Findings and Questioned Costs
K-7	Summary Schedule of Prior Audit Findings.....

SECTION I

ABBOTT SCHOOL DISTRICT SCHEDULE INSTRUCTIONS

SCHOOL-LEVEL SCHEDULES

BLENDING RESOURCE FUND 15 - SCHEDULES OF BLENDED EXPENDITURES – BUDGET AND ACTUAL (EXHIBIT D-3 SERIES)

Overview:

The *Blended Resource Fund - Schedules of Blended Expenditures – Budget and Actual* (Exhibit D-3 series) are prepared from the school district's records and are the responsibility of the school district. A separate schedule for each school is prepared as well as a district-wide schedule. These schedules detail the budget and actual expenditures incurred to implement the first year of the school three-year operational plan in the individual schools. These schedules are included as Other Supplementary Information in the CAFR (See Outline of CAFR). Comparative schedules are not required. Sample schedules are included in this Addendum and are available in excel format on the DOE Finance/GASB 34 website at: <http://www.state.nj.us/njded/finance/fp/gasb34>.

The United States Department of Education (USDOE) has given school districts which have an approved schoolwide program/school three-year operational plan the authority to combine certain federal resources, and has interpreted "combining" funds as the use of a single accounting code for the schoolwide programs. Funds are viewed as combined at the time they are expended. This is accomplished in New Jersey by requiring all WSR schools to record school-based budget expenditures in the Blended Resource Fund (Fund 15). *N.J.A.C.* 6A:24-4.4(a)4 and 6A:10A-8.1(a)1 state that except where prohibited by Federal law, all local, state and federal funds shall be considered general funds available for WSR activities, notwithstanding any restrictions that would otherwise apply. This expands the school district's authority to blend certain federal funds to include certain state and local funding sources.

Fund 15 is considered a sub-fund of the general fund. Revenues are recorded in Fund 15 as operating transfers from the general (Fund 10) and special revenue funds (Fund 20).

The following programs can be blended in school-based budgets.

- Title I, Part A: *Improving Basic Programs Operated by Local Education Agencies*
- Title II, Part A: *Teacher and Principal Training and Recruiting Fund*
- Title II, Part D: *Enhancing Education Through Technology*
- Title IV, Part A: *Safe and Drug-Free Schools and Communities*
- Title V, Part A: *Innovative Program*

The auditor should review the district-wide and school-based budgets to identify which funds were combined to support the schoolwide program.

The auditor should also ensure that the individual schools have approved schoolwide status if federal funds are being blended in the school's school-based budget and that only allowable program funds are blended in the school-based budget.

Preparation:

The *Blended Resource Fund - Schedules of Blended Expenditures – Budget and Actual* (Exhibits D-3a through 3c) detail the budgeted and actual expenditures incurred to implement the first year of the school three-year operational plans in the individual schools. This schedule should be prepared for each WSR school in the school district. School districts are required to include the following columns:

- Original Budget
- Budget Transfers
- Final Budget
- Actual
- Variance Final to Actual

The original “budgeted” appropriations are taken from the Abbott school-based budget section of the school district’s 2003-04 final approved budget and should include the rollover of prior year encumbrances. The final budget column is the budget adjusted for approved transfers. Transfers from instructional accounts to non-instructional accounts require department approval pursuant to *N.J.S.A 18A:7F-6(c)*. In accordance with *N.J.S.A 18A:7F-6(c)*, if the Commissioner directs reallocation of funds from or between instructional accounts or from or between non-instructional accounts in the proposed budget, the school district shall not transfer any funds to or from those accounts that were subject to reallocation without the prior approval of the Commissioner pursuant to *N.J.S.A 18A:7F-6(c)*. The amendments to New Jersey Administrative Code in September 2003 and May 2004 eased the requirements of Abbott school districts to apply to the department for approval on school-level transfers, but do not supercede *N.J.S.A 18A:7F-6(c)*. *N.J.A.C. 6A:10A-8.1(a)6*, effective May 25, 2004 requires department approval on all transfers into and out of charter school appropriation lines in the district-wide budget.

Abbott school districts do not utilize the special schools series of account and budget numbers in school-based budgets, therefore any budgetary schedules or worksheets will not include these lines.

The original “budgeted” revenues are reported as operating transfers below the expenditures, and are obtained from the Abbott school-based budget section of the school district’s 2003-04 final approved budget. The “actual” revenues are adjusted (by closing entries) to equal the amount of revenues necessary to exactly offset the individual funding source’s proportionate share of expenditures and the change in June 30 encumbrances once that amount has been determined. This amount will be the same as the budgetary basis expenditures calculated on the encumbrance worksheet (Exhibit ENC-W/S). A detailed discussion of this calculation is contained in the section entitled “Preparing the Blended Resource Fund – Schedule of Expenditures allocated by Resource Type – Actual (Exhibit D-2 series).”

The *Blended Resource Fund - Schedules of Blended Expenditures – Budget and Actual* (Exhibit D-3 series) included in the sample schedules show only the totals of the individual categories from each expenditure category which would be included in Fund 15. **The actual schedules should be prepared detailing all accounts that are applicable to the particular school.**

After the individual school *Blended Resource Fund - Schedule of Blended Expenditures – Budget and Actual* (Exhibits D-3a through D-3b) are completed, a district-wide *Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual* (Exhibit D-3) must be prepared. The district-wide schedule (Exhibit D-3) is a summation of the individual school schedules (Exhibits D-3a through D-3b). Following the completion of these schedules, the *Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type –Actual* (Exhibit D-2 series) can be prepared.

INSERT EXHIBIT D-3 (District-wide first page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2004

To display the District-wide D-3 first page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Total Fund 15- Exp.Sum.pg16”.

Selecting print will produce page 16 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.nj.gov/njded/finance/fp/gasb34

INSERT EXHIBIT D-3 (District-wide last page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2004

To display the District-wide D-3 last page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Total Fund 15- Exp.Sum.pg17”.

Selecting print will produce page 17 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.nj.gov/njded/finance/fp/gasb34

INSERT EXHIBIT D-3a (Lincoln School first page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2004

To display the school #1 (Lincoln) D-3a first page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Lincoln Exp.Sum.pg18”.

Selecting print will produce page 18 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.nj.gov/njded/finance/fp/gasb34

INSERT EXHIBIT D-3a (Lincoln School last page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2004

To display the school #1 (Lincoln) D-3a last page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Lincoln Exp.Sum.pg19”.

Selecting print will produce page 19 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.nj.gov/njded/finance/fp/gasb34

INSERT EXHIBIT D-3b (Washington School first page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2004

To display to the school #2 (Washington) D-3b first page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Washington Exp.Sum.pg20”.

Selecting print will produce page 20 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.nj.gov/njded/finance/fp/gasb34

INSERT EXHIBIT D-3b (Washington School last page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2004

To display the school #2 (Washington) D-3b last page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Washington Exp.Sum.pg21”.

Selecting print will produce page 21 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.nj.gov/njded/finance/fp/gasb34

BLENDED RESOURCE FUND 15 - SCHEDULE OF EXPENDITURES ALLOCATED BY RESOURCE TYPE – ACTUAL (EXHIBIT D-2 SERIES)

Overview:

The *Schedule of Expenditures Allocated by Resource Type - Actual* (Exhibit D-2 series) is prepared from the school district's records and is the responsibility of the school district. A separate schedule is prepared for each school in order to calculate surplus/carryover by funding source at the school level. The individual school-level carryovers are added together to determine the district-wide surplus/carryover by funding source. Comparative schedules are not required. These schedules are to be included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR). Sample schedules are available on the DOE Finance/GASB 34 website at <http://www.state.nj.us/njded/finance/fp/gasb34>.

The resource types and amounts included on the *Schedule of Expenditures Allocated by Resource Type-Actual* represent the resources, including June 30, 2003 fund balance reserved for encumbrances associated with the general fund contribution at June 30, 2003, and any deferred revenue or carryover from 2002-03 which was budgeted in 2003-04 to fund the first year of the school three-year operational plan. The June 30, 2003 encumbrances allocated to the restricted federal resources are a component of the June 30, 2003 deferred revenue blended in the 2003-04 school-based budget. Schools not required to prepare school-based budgets in 2002-03 would include only the 2003-04 resource allocations on the school's *Schedule of Expenditures Allocated by Resource Type-Actual* and would not have school-level fund balance reserved for encumbrances associated with the general fund contribution at June 30, 2003, or deferred revenue or carryover at July 1, 2003, with the exception of DEPA carryover from the prior year.

Total expenditures reported on the *Schedule of Blended Expenditures – Budget and Actual* will be allocated to the various funding sources using the ratio of the individual resource to the total resources in that school. For example, if 25% of the resources blended in a school are from Title 1, then 25% of the expenditures in that school are Title 1 expenditures. There will not be any deferred revenue/carryover resulting from budgeted restricted state aids because restricted state aids are considered spent before the general fund contribution when allocating expenditures to state and local contributions to whole school reform. This results in any unspent state or local contributions to WSR falling to general fund surplus at June 30.

Calculation For the First Year of Implementation of WSR:

The percent of resources calculation used to allocate expenditures to the various funding sources is detailed on the *Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2 series). The “% of Total Resources” column is a calculation of what percentage each resource type is of the total resources blended in the school-based budget. The calculation is the individual resource amount divided by the total of all resources. “Total Expenditures Allocated as a % of Total Resources” is calculated as the total actual expenditures from the individual location's *Schedule of Blended Expenditures – Budget and Actual* (Exhibit D-3) multiplied by the “% of Total Resources” for each funding type. “Total Surplus/Carryover” is the surplus/carryover for each resource type and is calculated as the difference between the “Resource Amount (Final Budget)” and the “Total Expenditures Allocated as a % of Total Resources.” For federal programs, “Total Surplus/Carryover” at June 30 is considered deferred revenue and is referred to as deferred revenue/carryover throughout this document.

Calculation for Second and Subsequent Years of Implementing WSR:

In the second and subsequent years of implementing WSR, schools will have general fund balance reserved for encumbrances and deferred revenue/carryover from June 30 of the prior year as well as current year resource allocations to be blended in their school-based budgets.

Once the prior year June 30 allocation is performed and the deferred revenue/carryover for the federal funding sources is calculated, the LEA has the option of reallocating the federal funds back to the schools on July 1st in the amounts that were originally deferred, or reporting the amounts less the individual funding sources allocation at June 30 encumbrances as unexpended program funds at August 31st and including those amounts on the school district's carryover application as of August 31, 2003.

Since the state fiscal year is July 1 through June 30, and the federal grant period is September 1 through August 31, if the deferred revenue/carryover is reallocated back to the schools at July 1st of the subsequent year, an additional allocation similar to the one detailed above, in the section entitled "Calculation For the First Year of Implementation of WSR," is required for July and August of the subsequent year to determine the various federal program expenditures to be included on the final expenditure report. If this approach is taken, the calculation of expenditures allocated by resource type should be prepared in two pieces; July and August; and, September 1 through June 30. These two pieces from the current fiscal year will be added together for CAFR reporting purposes. The July and August piece will be added to the prior year September through June piece for federal final expenditure reporting purposes.

If the prior year June 30 deferred revenue/carryover less the allocation of encumbrances is reported as unexpended program funds at August 31 and included on the school district's carryover application as of August 31, 2004, expenditures allocated to the various funding sources on June 30 of the subsequent year are calculated based on the ratio of total deferred revenue/carryover returned to the schools to fund the rollover of encumbrances plus the current year allocation to the total resources blended in the school-based budget. The total school-based expenditures are then multiplied by this percentage to determine the school-based expenditures allocated to the particular funding source. Once the total school-based budget expenditures allocated to the particular funding sources are determined, **those expenditures are allocated to the deferred revenue/carryover/general fund reserve for encumbrances before being allocated to the current year allocation** when determining deferred revenue/carryover at June 30 of the subsequent year. For example, if the Title 1 allocation was \$10,000 for 2004-05 and the 2002-03 carryover was \$1,000, total Title 1 expenditures are allocated first to the \$1,000 carryover and then to the \$10,000 current year allocation. Therefore, if the Title 1 allocated expenditures are \$9,000, the \$1,000 carryover was spent first and the remaining \$8,000 was spent from the current year allocation. This process is repeated each June 30 to allocate expenditures, determine June 30 deferred revenue, and report carryover on August 31.

Operating Transfers and District-wide Summary:

Once the total expenditures and encumbrances by resource type are determined, school districts are required to adjust the corresponding revenue amounts recorded in Fund 15 for each WSR school. This is accomplished as part of the year-end closing procedures similar to the revenue adjustments on Exhibit C-2. An equal and corresponding operating transfer into Fund 15 should offset the GAAP basis expenditures plus the change in June 30 encumbrances reported for each funding source. This amount will be the same as the budgetary basis expenditures calculated on the encumbrance worksheet (Exhibit ENC-W/S). Federal deferred revenue/carryover associated with allocations to WSR schools should be reported in the special revenue fund at June 30, 2004 with a corresponding operating transfer into Fund 15. *N.J.A.C.* 6A:24-4.4(a) and 10A-8.1(a)1 consider all state funds to be general funds available for WSR activities; therefore, there will be no state deferred revenue associated with the Contribution to WSR at June 30. **Once DEPA, ECPA, and DLNA funds are transferred to Fund 15, they are considered general funds to be spent in Fund 15 and are**

determined to be fully spent in Fund 20. Therefore, the actual expenditures recorded on the “Contribution to Whole School Reform” line will always equal the budgeted amount on that line. Any budgeted and unspent DEPA, ECPA, or DLNA contribution to WSR included in Fund 15 at June 30 is recorded as general fund surplus. Unbudgeted DEPA, ECPA, or DLNA should be reflected in the appropriate carryover calculation in the special revenue fund section of the CAFR.

Once a *Schedule of Expenditures Allocated by Resource Type - Actual* (Exhibit D-2 series) is prepared for each location, a district-wide summary is prepared. This summary provides the detail of the expenditures by funding source necessary to complete the *Worksheet of Reserve for Encumbrances Allocated by Resource Type for Goods and Services Received after June 30, 2004* (ENC W/S). This worksheet is necessary to convert GAAP basis expenditures to the budgetary basis for inclusion in *Schedule of Expenditures of Federal Awards and State Financial Assistance* (Exhibits K-3 and K-4, respectively), and to determine the amount of the operating transfers into Fund 15 to offset the GAAP basis expenditures plus the change in June 30 encumbrances. **The district-wide summary is a summation of the amounts reported on the individual school calculations. This information is not to be recalculated for the school district as a whole.**

Since schoolwide programs are not separate federal programs as defined in OMB A-133, nor separate state programs, amounts used in schoolwide programs should be included in the total expenditures of the program contributing the funds when determining Type A and Type B Programs for Single Audit testing selection determination. The *Schedule of Expenditures of Federal Awards* and the *Schedule of Expenditures of State Financial Assistance* must include the total expenditures of the program funds for WSR schools and non-WSR schools. The federal and state resources contributed to WSR should be included in the amounts reported in *Footnote 3* in the *Notes to Schedules of Expenditures of Awards and Financial Assistance* (Exhibit K-5). The OMB Compliance Supplement encourages showing in a footnote, by program, the amounts used in schoolwide programs. See *Footnote 7* in *Notes to Schedules of Expenditures of Awards and Financial Assistance* (Exhibit K-5) for a sample of this footnote.

The *Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2) is prepared on the modified accrual basis (with the exception of the last state aid payment), where encumbrances are not recorded as expenditures until the year the goods or services are received. The *Budgetary Comparison Schedule - Special Revenue Fund* – (Exhibit E-2) and the Single Audit Schedules (K Schedules) are prepared on a budgetary basis, where encumbrances are recorded as expenditures in the year the purchase order is written. Therefore, the *Schedule of Expenditures Allocated by Resource Type – Actual* must be adjusted for encumbrances (illustrated on the Encumbrance Worksheet) before preparing the *Budgetary Comparison Schedule – Special Revenue Fund* and the Single Audit Schedules. The Encumbrance worksheet is not required to be submitted with the school district’s CAFR.

INSERT EXHIBIT D-2 District-wide

Blended Resource Fund 15
Schedule of Expenditures Allocated by Resource Type – Actual
For the Fiscal Year Ended June 30, 2004

To display the District-wide D-2 illustration, click on the following link:

[Expenditures by Resource Type](#)

Select the tab entitled “Total Fund 15 Res.Sum 2003”.
Selecting print will produce page 25 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:
www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT D-2, Lincoln School

Blended Resource Fund 15
Schedule of Expenditures Allocated by Resource Type – Actual
For the Fiscal Year Ended June 30, 2004

To display the School #1 (Lincoln) D-2 illustration, click on the following link:

[Expenditures by Resource Type](#)

Select the tab entitled “Lincoln Res.Sum 2003”.

Selecting print will produce page 26 of the Abbott Addendum

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34.

INSERT EXHIBIT D-2 Washington School

Blended Resource Fund 15
Schedule of Expenditures Allocated by Resource Type – Actual
For the Fiscal Year Ended June 30, 2004

To display the School #2 (Washington) D-2 illustration, click on the following link:

[Expenditures by Resource Type](#)

Select the tab entitled “Washington Res.Sum 2003”.
Selecting print will produce page 27 of the Abbott Addendum

Refer to the DOE website sample financial statements:
www.state.nj.us/njded/finance/fp/gasb34

GENERAL FUND – COMBINING BALANCE SHEET (EXHIBIT D-1)

The *Combining Balance Sheet* (Exhibit D-1) is required for Abbott school districts and is prepared from the school district records and is the responsibility of the school district. This schedule is included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR). Since Fund 15 is a sub-fund of the General Fund, the *Combining Balance Sheet* presents the combined actual amounts for the general fund to be included on the *Governmental Funds Balance Sheet* (Exhibit B-1). Prior year data is not required in the *Combining Balance Sheet* nor is it included in the *Governmental Funds Balance Sheet*. See the sample on the next page.

This schedule is prepared with Column 1 representing the current year GAAP basis data for the Operating Fund (Fund 11 – 13) and Column 2 representing the current year GAAP basis data for the Blended Resource Fund (Fund 15). The two columns are added together to determine the current year Total General Fund Balance Sheet data, which is presented in Column 3.

The adjustment for the last 2003-04 state aid payment which is not recognized as revenue on GAAP statements must be made before this balance sheet can be prepared. An adjustment to recognize revenue for the payment in July 2003 must also be made. This payment was not recognized as revenue on the GAAP statements for 2002-03 but is GAAP basis revenue for 2003-04. Refer to The Audit Program pages I-8.10 – I-8.16 for further discussion on the adjustment for the last 2003-04 state aid payment. School districts are permitted to have a negative unreserved fund balance resulting from the adjustment for the last state aid payment. (*N.J.S.A.* 18A:22-44.2)

The combined total general fund (Funds 11-13 and Fund 15) amounts from the *Combining Balance Sheet* flow to the General Fund column of the *Governmental Funds Balance Sheet* (Exhibit B-1). A sample of Exhibit B-1 is not included in this document but is available on the DOE Finance/GASB 34 website at <http://www.state.nj.us/njded/finance/fp/gasb34>

INSERT Exhibit D-1

**General Fund
Combining Balance Sheet – GAAP Basis
June 30, 2004**

To display the D-1 illustration, click on the following link:

[Combining Balance Sheet](#)

Selecting print will produce page 29 of the Abbott Addendum

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

COMBINING BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (EXHIBIT C-1a)

Overview

The *Combining Budgetary Comparison Schedule-General Fund* (Exhibit C-1a) is prepared from the school district records and is the responsibility of the school district. This schedule is to be included in the Required Supplementary Information section of the CAFR (see OUTLINE OF CAFR). Comparative schedules are not required. Sample schedules are available on the DOE Finance/GABS 34 website at <http://www.state.nj.us/njded/finance/fp/gasb34>.

Fund 15 is a sub-fund of the General Fund; therefore, a *Combining Budgetary Comparison Schedule – General Fund* (Exhibit C-1a) must be completed to determine the total general fund budget and actual amounts to be included on the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1).

Preparation

School districts are required to include the following columns for the Operating Fund (Funds 11-13), the Blended Resource Fund (Fund 15), and the Combined Total General Fund (Funds 11-13 plus Fund 15):

- Original Budget (columns 1-3)
- Budget Transfers (columns 4-6)
- Final Budget (columns 7-9)
- Actual (columns 10-12)

Original Budget

Column 1 represents the current year budgeted revenues, expenditures and operating transfers for the Operating Fund (Funds 11 - 13). This information should include the rollover of prior year encumbrances. Column 2 represents the current year budgeted expenditures and operating transfers, adjusted for prior year encumbrances, in Fund 15. The budget information reported in column 2 is obtained from the current year district-wide *Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual* (Exhibit D-3). Column 3 is the sum of the amounts reported in columns 1 and 2.

Budget Transfers

Column 4 represents the current year approved transfers out of and between lines of the Operating Fund (Funds 11 - 13). Column 5 represents the current year operating transfers into and between lines of Fund 15. Column 6 is the sum of the amounts reported in columns 4 and 5. The transfer amount in each column should agree to the difference between the original and final budget for each column (Fund 11-13, Fund 15, Total).

Final Budget

Columns 7 and 8 represent the final approved budget after transfers for the Operating Fund (Funds 11-13) and Fund 15 respectively. Column 9 is the total of the amounts reported in columns 7 and 8. The “final” budget is the original budget adjusted for approved transfers.

Actual

The last set of columns (actual) is the actual revenues, expenditures and operating transfers for the general fund. The actual amount for the Operating Fund (Fund 11-13) is obtained from the school district’s general ledger. The actual amount for Fund 15 is obtained from the Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual - (Exhibit D-3).

Abbott Specific Lines

Abbott school district budgetary comparison schedules include budget lines only applicable to Abbott school districts such as Abbott Parity Remedy Aid, Additional Abbott v. Burke State Aid and Preschool Expansion Aid. The general fund contribution to WSR (transfer to Fund 15) is reported in Fund 10 as Other Operating Transfers-Out and reported in Fund 15 as Other Financing Sources-In. The transfers between Fund 10 and Fund 15 must equal. The transfer to the special revenue fund for Preschool Expansion Aid is reported in Fund 10 as Other Operating Transfers Out. The transfer from the special revenue fund to Fund 15 is also reported under Other Operating Transfers In.

The current year combined information included on this schedule is used to complete the *Budgetary Comparison Schedule-General Fund* (Exhibit C-1).

INSERT EXHIBIT C-1a (first page Original Budget and Budget Transfers for illustration)

**Combining Budgetary Comparison Schedule
General Fund
For Fiscal Year Ended June 30, 2004**

To display the C-1a (first page Original Budget and Budget Transfers) illustration, click on the following link:

[Combining Budgetary Comparison Schedule](#)

Select the tab entitled “C-1a – pg 32 & 33”.

Selecting print will produce pages 32 and 33 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT C-1a (first page Final Budget and Actual for illustration)

**Combining Budgetary Comparison Schedule
General Fund
For Fiscal Year Ended June 30, 2004**

To display the C-1a (first page Final Budget and Actual) illustration, click on the following link:

[Combining Budgetary Comparison Schedule](#)

Select the tab entitled “C-1a – pg 32 & 33”.

Selecting print will produce pages 32 and 33 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT C-1a (last page Original Budget and Budget Transfer for illustration)

**Combining Budgetary Comparison Schedule
General Fund
For Fiscal Year Ended June 30, 2004**

To display the C-1a (Last page Original Budget and Budget Transfers) illustration, click on the following link:

[Combining Budgetary Comparison Schedule](#)

Select the tab entitled “C-1a – pg 34 & 35”.

Selecting print will produce pages 34 and 35 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT C-1a (last page Final Budget and Actual for illustration)

**Combining Budgetary Comparison Schedule
General Fund
For Fiscal Year Ended June 30, 2004**

To display the C-1a (Last page Final Budget and Actual) illustration, click on the following link:

[Combining Budgetary Comparison Schedule](#)

Select the tab entitled "C-1a – pg 34 & 35".

Selecting print will produce pages 34 and 35 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

SECTION II

SELECTED SCHEDULE/STATEMENT INSTRUCTIONS

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (EXHIBIT C-1)

The *Budgetary Comparison Schedule - General Fund* (Exhibit C-1) is prepared from the school district records and is the responsibility of the school district. This schedule is to be included in the Required Supplementary Information section of the CAFR (see OUTLINE OF CAFR).

The amounts reported on this schedule are the combined general fund amounts reported on the *Combining Budgetary Comparison Schedule – General Fund* (Exhibit C-1a: Column 3 for original budget, Column 6 for transfers, Column 9 for final budget, Column 12 for actual).

Comparative schedules are not required. Sample schedules are available on the DOE Finance/GASB 34 website at <http://www.state.nj.us/njded/finance/fp/gasb34>. School districts are required to include the following columns for the Combined Total General Fund (Funds 11-13 plus Fund 15):

- Original Budget
- Budget Transfers
- Final Budget
- Actual
- Variance – Final Budget to Actual

Abbott school district budgetary comparisons may include revenue and expenditure lines such as Abbott Parity Remedy Aid, Preschool Expansion Aid and Additional Abbott v. Burke State Aid which are applicable only to those school districts. This schedule for the general fund will include budget lines for the operating transfer in from the Special Revenue Fund. The Contribution to Whole School Reform operating transfer from the Operating Fund (Fund 11-13) to the Fund 15 reported on the *Combining Budgetary Comparison Schedule- General Fund* (Exhibit C-1a) is eliminated since the two components of the general fund are combined. The transfer to the special revenue fund for Preschool Expansion Aid is reported as Other Operating Transfers Out. The transfer from the Special Revenue Fund is also reported under Other Operating Transfers In.

The ending Fund Balance as presented on this *Budgetary Comparison Schedule* is used in the Excess Surplus Calculation. This differs from the GAAP fund balance due to the delay of the last 2003-04 state aid payment from June until July 2004. (See section in this Addendum on Excess Surplus Calculation for further discussion). At the end of the *Budgetary Comparison Schedule – General Fund*, the school district should present a Recapitulation of Balances and Reconciliation to the Fund Balance per the GAAP statements. An adjustment is made to reverse the 2003-04 last state aid payment, but the 2002-03 payment received in July 2004 has been included in the budgetary fund balance which was rolled forward on this schedule. See the last page of the sample schedule following this page.

INSERT EXHIBIT C-1 (first page for illustration)

**Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2004**

To display the C-1 first page illustration, click on the following link:

[Budgetary Comparison G/F](#)

Select the tab entitled "C-1 pg 37".
Selecting print will produce page 37 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:
www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT C-1 (last page for illustration)

**Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2004**

To display the C-1 last page illustration, click on the following link:

[Budgetary Comparison G/F](#)

Select the tab entitled "C-1 pg 38".
Selecting print will produce page 38 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (EXHIBIT C-2)
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES – BUDGETARY BASIS
(EXHIBIT E-1)
ENCUMBRANCES WORKSHEET (EXHIBIT ENC-W/S)

The *Budgetary Comparison Schedule – Special Revenue Fund* (Exhibit C-2) is prepared from the school district records and is the responsibility of the school district. This schedule is to be included in the Required Supplementary Information section of the CAFR (see OUTLINE OF CAFR).

Comparative schedules are not required. Sample schedules are available on the DOE Finance/GASB 34 website at <http://www.state.nj.us/njded/finance/fp/gasb34>. School districts are required to include the following columns for the Combined Total Special Revenue Fund (Fund 20):

- Original Budget
- Budget Transfers
- Final Budget
- Actual
- Variance - Final to Actual

The Original Budget column represents the total of the various special revenue fund original grant and state aid/grant budgets (budgetary basis). The Final Budget represents the total of the final approved grant budgets plus the final state aid/grant approved budgets. The Actual amounts reported on this schedule are the combined special revenue fund amounts and are obtained from and should agree to the *Combining Schedule of Program Revenues and Expenditures-Budgetary Basis* (Exhibit E-1: Totals column).

The line entitled Transfer Out to Whole School Reform is reflected as “Other Financing Uses” following the total facilities acquisition and construction services and “transfer” to charter schools. The amount is obtained from the *Combining Schedule of Program Revenue and Expenditures– Budgetary Basis* (Exhibit E-1: Totals column). The amounts on that combining schedule (Exhibit E-1) are on a budgetary basis and are calculated for each program as follows:

- 1) Complete the *Blended Resource Fund 15 –Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2) – see page 22 of this Addendum. This schedule allocates total Fund 15 GAAP expenditures to surplus/carryover based on the percentage of those resources to the total resources available for Fund 15.
- 2) Complete the Encumbrances Worksheet (Exhibit ENC-W/S) using the resource percentages and the GAAP expenditure amounts obtained from the calculation above (Exhibit D-2) and the prior and current year encumbrances. This worksheet is necessary to convert GAAP expenditures to budgetary basis expenditures since special revenue fund schedules (i.e., Exhibits C-2, E-1) are reported on the budgetary basis where encumbrances are recorded as expenditures in the year the purchase order is issued.
 - Use the general fund and special revenue fund amounts for DEPA, ECPA and DLNA in total.
 - Use each of the federal expenditure amounts from the D-2.
- 3) Report the calculated federal budgetary expenditures from the completed Encumbrances Worksheet and carry them to the Contribution to WSR line for each program on the *Combining Schedule of Program Revenue and Expenditures– Budgetary Basis* (Exhibit E-1).
- 4) The amounts reported on the Contribution to WSR line for DEPA, ECPA and DLNA on the Combining Schedule are obtained from the applicable district-wide budgetary basis restricted aid schedule (Exhibit E-2, E-3 or E-4).
- 5) The total Contribution to WSR on the Combining Schedule is carried over to the *Budgetary Comparison Schedule – Special Revenue Fund* (Exhibit C-2) for the actual column, Transfer Out to Whole School Reform (General Fund).

Overview on Encumbrance Allocation

Encumbrances must be allocated to the various funding sources, at the school level, using the same methodology that was used to allocate GAAP basis expenditures (see section on Exhibit D-2). Encumbrances are not allocated to the individual restricted state funding sources because the total state contribution to WSR is considered fully spent in Fund 20 when the funds are contributed to Fund 15. At that point, the funds are considered general funds available for WSR in accordance with *N.J.A.C* 6A:24-4.4(a)4 and 6A:10A-8.1(a)1.

Encumbrances are allocated to the combined general fund contribution and state resources as one amount. The encumbrance allocations are performed on a school level using the “% of Total Resources” calculated for each school on the Exhibit D-2 series. Encumbrances are recorded as fund balance reserved for encumbrances in the Fund 15 column of the *Combining Balance Sheet* (Exhibit D-1). *The Combining Balance Sheet* is required to be included in the CAFR.

Once the school-level encumbrance allocations are performed, the individual funding type encumbrances from each school are added together to determine the district-wide encumbrances by funding type. The district-wide encumbrances by funding type are then added to the applicable district-wide GAAP WSR expenditures and prior year district-wide encumbrances by funding type are subtracted to determine the WSR budgetary basis expenditures to include on the line entitled, Contributions to WSR on the *Special Revenue Fund Combining Schedule of Program Revenues and Expenditures— Budgetary Basis* (Exhibit E-1).

The Worksheet of Reserve for Encumbrances Allocated by Resource Type (Exhibit ENC-W/S) has been included in this document to illustrate the calculations of the budgetary basis amount reported as Contribution to WSR based on the combined (General and Special Revenue Fund) state funding and each of the federal resources. This worksheet should not be included in the CAFR.

The sample encumbrance calculation includes an allocation of encumbrances to the Combined General Fund Contribution and State Resources. This was done to illustrate how the total encumbrances are allocated based on the “% of Total Resources”.

The Fund 15 encumbrances will be included in the CAFR in Fund 15 as fund balance reserved for encumbrances on the *Balance Sheet*. Encumbrances are not reported as expenditures in Fund 15.

INSERT EXHIBIT C-2

**Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 20004**

To display the C-2 illustration, click on the following link:

[Budgetary Comparison SRF](#)

Selecting print will produce page 41 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT E-1 (first page)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2004

To display the E-1 first page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1”.

Selecting print will produce pages 42 and 43 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT E-1 (second page)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2004

To display the E-1 second page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1”.

Selecting print will produce pages 42 and 43 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT E-1a (first page -1 of 2)

**Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2004**

To display the E-1a first page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1a”.

Selecting print will produce pages 44 and 45 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT E-1a (second page -2 of 2)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2004

To display the E-1a second page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1a”.

Selecting print will produce pages 44 and 45 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT E-1b (first page - 1 of 2)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2004

To display the E-1b first page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1b”.

Selecting print will produce pages 46 and 47 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT E-1b (second page - 2 of 2)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2004

To display the E-1b second page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1b”.

Selecting print will produce pages 46 and 47 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT E-1c

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2004

To display the E-1c illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1c”.

Selecting print will produce page 48 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT ENC-W/S

Blended Resource Fund 15
Worksheet of Reserve for Encumbrances Allocated by Resource Type for Goods or Services Received
after June 30, 2004

To display the Encumbrance Worksheet illustration, click on the following link:

[Encumbrance Worksheet](#)

Selecting print will produce page 49 of the Abbott Addendum.

Note – shading represents data entry cell

SELECTED BASIC FINANCIAL STATEMENTS/ NOTE INSTRUCTIONS

GOVERNMENTAL FUNDS – BALANCE SHEET (EXHIBIT B-1)

The *Governmental Funds Balance Sheet* (Exhibit B-1) is prepared from the school district records and is the responsibility of the school district. This statement is included in the Basic Financial Statements section of the CAFR (see OUTLINE OF CAFR included in this Addendum). Sample GASB 34 statements are available on the DOE Finance/GASB 34 website at <http://www.state.nj.us/njded/finance/fp/gasb34>.

The amounts reported on this statement are the combined general fund amounts reported on the *Combining Balance Sheet* (Exhibit D-1).

The *Governmental Funds Balance Sheet* contains a column for each governmental fund. The columns included in this statement are:

- General Fund
- Special Revenue Fund
- Capital Projects Fund
- Debt Service Fund
- Permanent Fund
- Total Governmental Funds

The *Governmental Funds Balance Sheet* should include a reconciliation of total governmental funds fund balance to the net assets of governmental activities included in the *Statement of Net Assets (Exhibit A-1)*. Adjustments to convert the amounts on the *Governmental Funds Balance Sheet* to the accrual method of accounting and to eliminate interfund balances are necessary.

The General Fund line Fund Balance – Reserved for Encumbrances on the Governmental Funds *Balance Sheet* at June 30, 2004 will include the Fund 15 year-end encumbrances as reported on the Combining *Balance Sheet* as well as the Fund 10 year-end encumbrances. In prior years, the Fund 15 Fund Balance Reserved for Encumbrances was presented as Deferred Revenue.

The fund balance used for the excess surplus calculation is taken from the *Budgetary Comparison Schedule (Exhibit C-1)*, not from the *Balance Sheet* discussed on this page.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (EXHIBIT B-2)

The information included in this statement (Exhibit B-2) is obtained from the governmental fund type detailed schedules within the CAFR. A sample GASB 34 statement (Exhibit B-2) is available on the DOE Finance/GASB 34 website at <http://www.state.nj.us/njded/finance/fp/gasb34>. Abbott school districts will include the line for Transfer – Contribution to Whole School Reform for the transfer from the special revenue fund to Fund 15. Abbott school districts will also include the transfer of Preschool Expansion Aid from the General Fund to the Special Revenue Fund on the line titled Transfer to Special Revenue Fund – Preschool Programs.

The Special Revenue Fund data included on this statement is reported on a GAAP basis, whereas the data included in the Special Revenue Fund schedules is reported on the budgetary basis. Encumbrances are reported as expenditures on the budgetary basis, but not on the GAAP basis. The reconciliation of budgetary basis expenditures as reported in the *Budgetary Comparison Schedule - Special Revenue Fund* (Exhibit C-2) to GAAP basis expenditures is presented in the Notes to Required Supplementary Information, Budget to GAAP Reconciliation (Exhibit C-3).

The revenue difference due to the last state aid payment (which is not recognized for GAAP basis statements) will be reported as a reconciling item for both the special revenue and general fund. The payment made in July 2003 related to the 2002-03 school year is recognized in the 2003-04 fiscal year on a GAAP basis and will also be reported as a reconciling item for both funds. The reconciliation is presented in the *Budget to GAAP Reconciliation* (Exhibit C-3) in the Notes to Required Supplementary Information. Refer to The Audit Program, pages I-8.10 through I-8.16 for further discussion on the adjustments for the last state aid payment and to the next page of this Addendum and to The Audit Program pages III-3.4 through III-3.10 for information on the reconciliation and the related disclosures. The Abbott school district reconciliation will be similar to all school districts with the additional inclusion of lines for the operating transfers related to WSR.

Other Financing Sources (Uses)

The Operating Transfer In to the General Fund and the Operating Transfer Out of the Special Revenue Fund represent the total of the Blended Resource Fund (Fund 15) expenditures paid in the general fund from the contribution of federal and state restricted sources. These amounts are obtained from the Fund 15 district-wide summary of the *Blended Resource Fund -Schedule of Expenditures Allocated by Resource Type - Actual* (Exhibit D-2) and are included on this statement in the Other Financing Sources (Uses) section.

The Operating Transfer to Special Revenue Fund –Preschool Programs is included on the *Statement of Revenues, Expenditures and Changes in Fund Balances* in the Other Financing Sources (Uses) section.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (EXHIBIT C-3)
Reconciliation from Budget to GAAP Information

With the implementation of GASB 34, the information formerly included in *Note 1(D) Summary of Significant Accounting Policies – Budgets/Budgetary Control* is now part of the required reconciliation from budgetary basis “revenues” to GAAP revenues and from budgetary basis “outflows” to GAAP expenditures in the *Required Supplementary Information Budgetary Comparison Schedule, Note to Required Supplementary Information* (Exhibit C-3) (Reconciliation). The reconciliation ties the budgetary reporting to the GAAP statements in the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* (Exhibit B-2) for the funds which have a Budgetary Comparison Schedule (General Fund, Exhibit C-1 and Special Revenue Fund, Exhibit C-2). A sample reconciliation including both resources and expenditures is included as Exhibit C-3 on the DOE Finance/GASB 34 website at: <http://www.state.nj.us/njded/finance/fp/gasb34>.

General Fund

The total “revenues” (budgetary basis) amount for the General Fund is obtained from the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1). The budget for school districts in New Jersey is on a modified accrual basis with the exception of the recognition of revenue for the last state aid payment. As required by *N.J.S.A. 18A:22-44.2* (P.L. 2003, c.97) for budgetary purposes, the last state aid payment for the 2003-04 school fiscal year (paid in July 2004) is recognized as revenue at June 30, 2004. For GAAP purposes, this revenue is not recognized until the subsequent year when it is included in the State budget. Thus, the last state aid payment from the preceding year (2002-03 paid in July 2003) is recognized as 2003-04 GAAP revenue (increases 2003-04 revenue) and the last state aid payment for the audit year (2003-04 paid in July 2004) is not recognized as GAAP revenue until 2004-05 (decreases 2003-04 revenue). These amounts are included in the C-3 Budgetary Inflows and Outflows to GAAP Revenues and Expenditures Reconciliation under “Sources/inflows of resources”.

The sample *Budgetary Comparison Schedule – General Fund* (Exhibit C-1) presented on page 38 of this Addendum illustrates the “budgetary” to GAAP fund balance reconciliation. Located after the fund balance recapitulation, the reconciliation from the “budgetary” fund balance to the GAAP fund balance requires only the reversal of the last state aid payment for 2003-04 received in July 2004 included as revenue in the budgetary fund balance, but not recognized until 2004-05 for GAAP. It is not necessary to adjust for the final state aid payment from 2002-03 received July 2003, since that payment was recognized in the ending budgetary fund balance from the prior year and has been rolled forward into the July 1 fund balance.

Total expenditures of the General Fund must be reported, but there should be no reconciling items, since the budgetary expenditures are on a modified accrual basis.

Special Revenue Fund

Total revenues (budgetary basis) of the Special Revenue Fund are obtained from the *Budgetary Comparison Schedule – Special Revenue Fund* (Exhibit C-2). The Special Revenue Fund is also affected by the revenue recognition treatment of the last state aid payment discussed under the General Fund above. The last state aid payment for 2002-03 (budgetary) is recognized for GAAP basis statements in 2003-04 and the last payment for 2003-04 (budgetary) is not recognized until 2004-05 for the GAAP statements. These amounts are included in the C-3 reconciliation under “Sources/inflows of resources”. In addition, GAAP revenue recognizes the prior year encumbrances which were liquidated in the audit year and does not recognize the year-end encumbrances until the subsequent year when the encumbrances are liquidated.

The amount for total expenditures (budgetary basis) is also obtained from the actual column of the *Budgetary Comparison Schedule – Special Revenue Fund* (Exhibit C-2) and represents total budgetary basis expenditures for WSR schools and non-WSR schools. That amount is then increased for prior year encumbrances and decreased for current year encumbrances to determine total current year expenditures on a GAAP basis.

SPECIAL REVENUE FUND

PREPARING THE RESTRICTED STATE AID SCHEDULES (EXHIBITS E-2, E-3 AND E-4)

District-wide Demonstrably Effective Program Aid (DEPA), Early Childhood Program Aid (ECPA), and Distance Learning Network Aid (DLNA) restricted state aid schedules are required to be included in the Special Revenue Fund (E-series) section of the CAFR.

ECPA and DLNA carryovers are reported on a district-wide basis, whereas DEPA is reported by school. Since DEPA funding is generated by school, a calculation of DEPA actual expenditures as well as carryover is required for each non-WSR school. *N.J.A.C. 6A:24-4.4(a)4* and *N.J.A.C. 6A:10A-8.1(a)1* consider DEPA funds transferred to Fund 15 to be general funds available for WSR. The DEPA Budget and Carryover Calculations are no longer required for WSR schools, unless the WSR school has unbudgeted DEPA carryover.

Once DEPA, ECPA and DLNA funds are transferred to Fund 15, they are considered general funds to be spent in Fund 15 and are considered fully spent in Fund 20. Therefore the actual expenditures recorded on the "Contribution to Whole School Reform" line should always equal the budgeted amount on that line. There will be no DEPA, ECPA or DLNA carryover related to whole school reform schools in Fund 20 at June 30, 2004, with the exception of unbudgeted carryovers. Any unspent DEPA, ECPA or DLNA contribution to WSR included in Fund 15 at June 30, 2004 will be considered general fund surplus.

CALCULATION OF DEPA BUDGET & CARRYOVER IN A NON-WHOLE SCHOOL REFORM SCHOOL IN AN ABBOTT SCHOOL DISTRICT (EXHIBIT E-2 SERIES)

At the bottom of each non-WSR school schedule is a calculation of the 2003-04 Available & Unbudgeted Funds and the Actual Carryover as of June 30, 2004. Line (1) represents the DEPA allocation for that school. This amount can be obtained from the school district's SAINET 2001-02 state aid printout. Since 2001-02 school-level allocations were generated on a revenue basis, some school districts' 2003-04 DEPA allocations by school will not agree with the total DEPA revenue as reported on the 2003-04 SAINET printout. School districts were given the flexibility to allocate any additional amounts to any existing school that had currently generated DEPA or to a new school. The amounts by school would be listed on the school district's final approved budget in Supporting Document 16. In instances where original aid allocations by school included closed or omitted schools, department approval would have been necessary to change the school allocation and should be on file at the school district.

Line (2) represents the actual audited DEPA carryover as of June 30, 2003 for that location. **School districts receiving additional Abbott v. Burke state aid in 2003-04 were required to revise the budgeted 2003-04 carryover amount to agree to the actual June 30, 2003 carryover.**

Line (3) represents the total 2003-04 DEPA funds available for the 2003-04 budget (sum of Lines 1 and 2). Line (4) represents the amount the school district included in its DEPA budget for the fiscal year 2003-04 including approved carryover amounts and contribution to charter schools and WSR.

Line (5) represents the difference between Line (3) and Line (4). If a school district did not revise its budgeted original allocation (if applicable) or revise its budgeted June 30, 2003 carryover, then this amount is considered Available and Unbudgeted as of June 30, 2004 and is considered a component of the Actual Carryover – DEPA as of June 30, 2004.

Line (6) represents 2003-04 budgeted DEPA (Line 4) less the "total actual" for the school. This amount represents the unexpended/unencumbered DEPA.

Line (7) is the total of Lines (5) and (6).

Line (8) can be found in the 2004-05 Supporting Documentation 16c for that location from the 2004-05 final approved budget. If the portion of the actual carryover, which relates to non-WSR schools (Line 7), is less than the budgeted amount for non-WSR schools (Line 8), then the school district must file an amended 2004-05 DEPA operational plan with the department. If the portion of the actual carryover related to non-WSR schools is greater than the portion of the budgeted carryover for non-WSR schools, and the school district is not receiving Discretion Education Opportunity Aid in 2004-05, then the school district has the option of filing an amended DEPA operational plan or it can retain the additional carryover amount not originally budgeted as deferred revenue until 2005-06.

If a WSR school has unbudgeted DEPA carryover from June 30, 2003, a calculation of budget and carryover is required for that school.

PREPARING THE DEPA RESTRICTED AID SCHEDULES (EXHIBIT E-2 SERIES)

The *Schedules of Demonstrably Effective Program Aid* (Exhibit E-2 series) are prepared from the school district records and are the responsibility of the school district. These schedules are to be included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR included in this document). A separate schedule must be prepared for each non-WSR school as well as a district-wide schedule. School districts are required to track DEPA expenditures in non-WSR schools in the special revenue fund using the uniform grant project budget schedule coding structure. All WSR schools were required to transfer the DEPA funds to Fund 15 and blend them with other funds in Fund 15.

Separate schedules by location are not prepared for WSR schools because actual spending by program is not tracked using the uniform grant project budget schedule coding structure for these schools. *N.J.A.C* 6A:24-4.4(a) 4 and 6A:10A-8.1(a)1 state that except where prohibited by Federal law, all local, State and Federal funds shall be considered general funds available for WSR activities, notwithstanding any restrictions that would otherwise apply. Once DEPA funds are transferred to Fund 15, they are considered general funds to be spent in Fund 15 and are considered fully spent in Fund 20. Therefore, the actual expenditures recorded on the "Contribution to Whole School Reform" line will always equal the budgeted amount on that line. The "budgeted" amount in this line is the total DEPA resources contributed to WSR schools, which is obtained from the school district's 2003-04 final approved detailed appropriations line 13681 adjusted for any Board approved transfers. There is no DEPA budgeted carryover related to WSR schools in Fund 20 at June 30, 2004. Any unspent DEPA contribution to WSR included in Fund 15 at June 30, 2004, is considered general fund surplus.

The schedules have been revised since DEPA is no longer reported by program. Actual expenditures versus total budgeted spending, as well as carryover/deferred revenue are reported by location. This schedule is to be prepared on the budgetary basis where "actual" equals the 2003-04 expenditures plus encumbrances at June 30, 2004. These encumbrances must be liquidated within 60 to 90 days. A schedule is to be prepared for each non-WSR school or location that spent DEPA.

A district-wide summary schedule is to be prepared once a schedule is completed for each non-WSR location and the *Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2 series) is completed for each WSR school. The "actual" column is the sum of the "total actual" columns from the location schedules. The "budgeted" column can be obtained from the school district's 2003-04 final approved detailed appropriations lines 13410 – 13690 adjusted for any revised allocations, approved carryovers and/or transfers. The total "budgeted" expenditures reported on the district-wide summary must equal the sum of the total budgeted DEPA expenditures (Line 4).

The “budgeted” amount on the line “Contribution to Charter Schools” should be the estimated payment of DEPA to charter schools generated by the resident students projected to attend the charter schools and included on budget line 13682 and coded to program 999 in Supporting Documentation Item 16c. The “actual” amount on this line is the total DEPA paid to charter schools, by the public school district, for the public school district resident students attending the charter school.

The bottom of the district-wide summary is a roll up of the carryover calculations from the location schedules. The amount reported as Total 2003-04 DEPA Allocation must agree to the total DEPA entitlement reported on the 2001-02 DEPA State Aid printouts. Due to flat funding, new DEPA allocations by school were not distributed in 2003-04. The amount reported as “Actual Carryover-DEPA” less the revenue amount of the 2003-04 last state aid payment plus the revenue amount from the 2002-03 last state aid payment paid in July 2003 for DEPA must agree to the total of the deferred revenue reported on *Schedule B, Schedule of State Financial Assistance*, under DEPA. The deferred revenue amounts appearing in the *Balance Sheet* of the Basic Financial Statements will be the total of the deferred revenue per the *Schedule of Expenditures of State Financial Assistance, Schedule B*, plus any encumbrances. This difference will be included in the Budget to GAAP Reconciliation contained in *Notes to Required Supplementary Information*.

Please note that on the sample statements every possible account is listed for non-WSR schools. This is an optional format. School districts may list only those accounts that are applicable. **In addition, the line (#) references on the sample statements should not appear on the actual statement in the CAFR.**

INSERT EXHIBIT E-2 (District-wide)

**Special Revenue Fund
Demonstrably Effective Program Aid Schedule of Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2004**

To display the E-2 illustration, click on the following link:

[DEPA](#)

Select the tab entitled "Ex E-2".

Selecting print will produce page 56 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT E-2a (School A)

**Special Revenue Fund
Demonstrably Effective Program Aid Schedule of Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2004**

To display the E-2a (School A) illustration, click on the following link:

[DEPA](#)

Select the tab entitled "Ex E-2a".

Selecting print will produce page 57 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

INSERT EXHIBIT E-2b (School B)

**Special Revenue Fund
Demonstrably Effective Program Aid Schedule of Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2004**

To display the E-2b (School B) illustration, click on the following link:

[DEPA](#)

Select the tab entitled "Ex E-2b".

Selecting print will produce page 58 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

PREPARING THE ECPA RESTRICTED AID SCHEDULE (EXHIBIT E-3)

The *Schedule of Early Childhood Program Aid* (Exhibit E-3) is prepared from the school district records and is the responsibility of the school district. This schedule is to be included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR included in this document). Beginning in 2002-03, Abbott school districts were required to record the early childhood appropriations and expenditures for the three and four year old programs in the special revenue fund and the appropriations and expenditures for the kindergarten programs in the school-based budgets of the school containing the classrooms. If an early childhood center contains preschool classes and kindergarten classes, the preschool appropriations are recorded in Fund 20 and the kindergarten appropriations and expenditures are recorded in Fund 15.

The preschool programs were funded with Early Childhood Program Aid (ECPA), ECPA carryover, Pre-school Expansion Aid (PSEA), and a general fund transfer, which could include additional Abbott v. Burke state aid. Consistent with prior years, school districts were permitted to transfer ECPA to Fund 15 to fund the second half day of kindergarten.

PSEA is state aid available in 2003-04 for funding Abbott school districts' increases in department approved budgeted costs from 2001-02 to 2003-04 for the projected expansion of preschool programs. Abbott school districts were notified of their initial PSEA amounts on February 26, 2003. Certain school districts received revised initial 2003-04 PSEA awards on February 28, 2003, and one school district received a revised initial PSEA award on June 16, 2003. Initial PSEA may have been revised based on department audits of the October 15, 2003 ASSA enrollments for regular 3 and 4 year old preschool students. If no audit adjustment is necessary, initial PSEA award will equal the final PSEA award. PSEA is recorded as "Other State Aid" in the general fund and transferred to the special revenue fund on budget line 2511.

The full amount of PSEA awarded to the school district should have been transferred to the Special Revenue fund on lines 2511/511 to fund the increase in the 2003-04 approved preschool plan over the 2001-02 approved preschool plan. If the sum of PSEA transfers from the general fund to the special revenue fund plus 2003-04 ECPA plus June 30, 2003 audited carryover budgeted in 2003-04 exceeds the approved 2003-04 preschool plan plus the statutorily required transfer to charter schools, the remaining ECPA funding should have been contributed to WSR to augment kindergarten and grades 1-3 program costs.

N.J.A.C. 6A:24-4.4(a)4 and *6A:10A-8.1(a)1* state that except where prohibited by federal law, all local, State and Federal funds shall be considered general funds available for WSR activities notwithstanding any restrictions that would otherwise apply. Once ECPA funds are transferred to Fund 15, they are considered general funds to be spent in Fund 15 and are considered fully spent in Fund 20. Therefore, the actual expenditures recorded on the "Contribution to Whole School Reform" line will always equal the budgeted amount on that line. The "budgeted" amount in this line is the total ECPA resources contributed to WSR schools, which is obtained from the school district's 2003-04 final approved detailed appropriations line 13291. There will be no ECPA carryover related to WSR schools in Fund 20 at June 30, 2004. Any unspent ECPA Contribution to WSR included in Fund 15 at June 30, 2004 will be considered general fund surplus.

The format of the schedule was designed to provide an audit trail of the actual versus budgeted expenditures as well as to calculate deferred revenue. This schedule is to be prepared on the budgetary basis where "actual" equals the 2003-04 expenditures plus encumbrances at June 30, 2004. These encumbrances must be liquidated within 60 to 90 days. The "budgeted" amounts can be obtained from the school district's 2003-04 final approved detailed appropriations lines 13010 – 13300 adjusted for any approved carryovers and/or transfers.

The budgeted "Contribution to Charter Schools" amount is the total included on Supporting Documentation 15a, which is the amount included on line 13292 of the 2003-04 final approved advertised budget. The

“actual” amount in this line is the total aid paid to charter schools, by the public school district, for the public school district resident students attending the charter school.

At the bottom of the schedule is a calculation of the Available & Unbudgeted funds as of June 30, 2004 (Line 6) and the 2003-04 Actual Carryover (Line 8). Line (1) represents the total 2003-04 ECPA allocation. This amount can be obtained from the school district’s SAINET in the 2003-04 state aid printouts.

Line (2) represents the actual audited ECPA carryover as of June 30, 2003. School districts receiving additional Abbott v. Burke state aid in 2003-04 were required to revise the budgeted 2003-04 carryover amount to agree to the actual June 30, 2003 carryover.

Line (3) represents the amount transferred from the general fund to fund preschool programs. This amount should include PSEA budgeted on revenue line 360 and detailed on supporting documentation item 8 in the school district’s budget. Additional Abbott v. Burke state aid and other general fund resources may also have been used to support the preschool program. The total amount transferred can be obtained from lines 511 and 2511 in the 2003-04 final approved budget.

Line (4) represents the total ECPA funds available for the 2003-04 budget (the sum of Lines 1-3).

Line (5) represents the amount the school district included in its ECPA budget for the fiscal year 2003-04 including the contributions to WSR and charter schools. This line should agree to the total budgeted expenditures reported in the first column of this schedule.

Line (6) represents the difference between Line (4) and Line (5). The amount on Line 6 is considered Available and Unbudgeted as of June 30, 2004. Line (6) is then considered a component of the Actual Carryover – ECPA as of June 30, 2004.

Line (7) represents 2003-04 budgeted ECPA (Line 5) less the “total actual” for the program. This amount represents the 2003-04 unexpended/unencumbered ECPA and should agree to the variance column in the schedule.

Line (8) is the total Actual Carryover – ECPA as of June 30, 2004 and is the sum of Lines (6) and (7). This carryover less the revenue amount of the 2003-04 last state aid payment plus the revenue amount from the 2002-03 last state aid payment paid in July 2003 for ECPA must agree to the total of the deferred revenue reported on Schedule B, *Schedule of State Financial Assistance*, under Early Childhood Program Aid. The deferred revenue amounts appearing in the *Balance Sheet (Exhibit B-1)* of the Basic Financial Statements will be the total of the deferred revenue per the *Schedule of Expenditures of State Financial Assistance, Schedule B*, (Exhibit K-4) plus any encumbrances. This difference will be included in the Budget to GAAP Reconciliation (Exhibit C-3) contained in the Notes to the Required Supplementary Information.

Line (9) can be found in the 2003-04 Supporting Documentation 15a from the 2004-05 final approved budget. If the actual carryover (Line 9) is less than the budgeted amount, then the school district must revise their 2004-05 budget.

Please note that on the sample statement every possible account is listed. This is an optional format. School districts may list only those accounts that are applicable. **In addition, the line (#) references on the sample statements should not appear on the actual statements in the CAFR.**

INSERT EXHIBIT E-3

**Special Revenue Fund
Early Childhood Program Aid Schedule of Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2004**

To display the E-3 illustration, click on the following link:

[ECPA](#)

Selecting print will produce page 61 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

PREPARING THE DLNA RESTRICTED AID SCHEDULE (EXHIBIT E-4)

The *Schedule of Distance Learning Network Aid* (DLNA) (Exhibit E-4) is prepared from the school district records and is the responsibility of the school district. This schedule is to be included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR included in this document).

All school districts are required to track DLNA expenditures in non-WSR schools in the special revenue fund using the uniform grant project budget schedule coding structure. All WSR schools were required to transfer the DLNA funds to the Blended Resource Fund (Fund 15) and blend them with other funds in Fund 15. For 2003-04, this section is limited to DLNA carryover since the funds were combined into Consolidated Aid.

N.J.A.C. 6A:24-4.4(a) 4 and 6A:10A-8.1(a)1 state that except where prohibited by Federal law, all local, State and Federal funds shall be considered general funds available for WSR activities notwithstanding any restrictions that would otherwise apply. Once DLNA funds are transferred to Fund 15, they are considered general funds to be spent in Fund 15 and are considered fully spent in Fund 20. Therefore, the actual expenditures recorded on the “Contribution to Whole School Reform” line will always equal the budgeted amount on that line. The “budgeted” amount in this line is the total DLNA resources contributed to WSR schools, which is obtained from the school district’s 2003-04 final approved detailed appropriations section of the budget line 13891 adjusted for any Board approved transfers. **The “actual” amount in this line will always equal the budgeted contribution to WSR.** There will be no DLNA carryover related to whole school reform schools in Fund 20 at June 30, 2004, since any unspent DLNA contribution to WSR from 2002-03 transferred to Fund 15 at June 30, 2004 will be considered general fund surplus.

The format of the schedule was designed to provide an audit trail of the actual versus budgeted expenditures as well as calculate deferred revenue. This schedule is to be prepared on the budgetary basis where “actual” equals the 2003-04 expenditures plus encumbrances at June 30, 2004. These encumbrances must be liquidated within 60 to 90 days. The “budgeted” amounts are to be taken from the school district’s 2003-04 final approved budget on lines 13710 – 13900 of the detailed appropriations section of the budget adjusted for any approved carryovers and/or transfers.

At the bottom of the schedule is a calculation of the Available & Unbudgeted funds as of June 30, 2004 (Line 3) and the 2003-04 Actual Carryover (Line 5). There was no allocation of DLNA for 2003-04.

Line (1) represents the actual audited DLNA carryover as of June 30, 2003.

Line (2) represents the amount the school district included in its DLNA budget for the fiscal year 2003-04 including the contributions to WSR. Abbott school districts receiving additional Abbott v. Burke state aid in 2003-04 were required to revise their 2003-04 budgeted carryover amount to equal the actual June 30, 2003 carryover. Line 2 should agree to the total budgeted expenditures reported in the first column of this schedule.

Line (3) represents the difference between Line (1) and Line (2). If a school district did not revise its budgeted original allocation (if different) or revise its budgeted June 30, 2003 carryover, then this amount is considered Available and Unbudgeted as of June 30, 2004. Line (3) is then considered a component of the Actual Carryover – DLNA as of June 30, 2004.

Line (4) represents 2003-04 budgeted DLNA (Line 2) less the “total actual” for the program. This amount represents the unexpended/unencumbered DLNA and should agree to the total variance in the third column of this schedule.

Line (5) is the total Actual Carryover – DLNA as of June 30, 2004 and is the sum of Lines (3) and (4).

Line (6) can be found in the school district's 2004-05 final approved budget on line 423 of the advertised revenue section. All carryover must be expended in subsequent years for allowable program expenditures.

The Actual Distance Learning Network Aid Carryover, if any, is the amount of unused DLNA carryover from the previous year, since there were no DLNA allocations for 2003-04. Any carryover, adjusted to recognize the 2002-03 last state aid payment paid in July 2003, should agree to the total of the deferred revenue reported on Schedule B, *Schedule of Expenditures of State Financial Assistance*, (Exhibit K-4) under Distance Learning Network Aid.

Please note that on the sample schedule every possible account is listed. This is an optional format. School districts may list only those accounts that are applicable. **In addition, the line (#) references on the sample schedules should not appear on the actual schedules in the CAFR.**

INSERT EXHIBIT E-4

**Special Revenue Fund
Distance Learning Network Aid Schedule of Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2004**

To display the E-4 illustration, click on the following link:

[DLNA](#)

Selecting print will produce page 64 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

www.state.nj.us/njded/finance/fp/gasb34

SINGLE AUDIT SECTION***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (EXHIBIT K-3)******SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (EXHIBIT K-4)******NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
(EXHIBIT K-5)***

The Single Audit schedules are prepared using the budgetary basis of accounting. Amounts should agree with the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1) and the *Special Revenue Fund Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-1) described in a previous section of this Addendum.

The total budgetary expenditure amounts for the federal programs blended in Fund 15 are calculated in the Encumbrances Worksheet (see previous section) and included on *Schedule A, Schedule of Expenditures of Federal Awards* (Exhibit K-3).

The *Schedule of Expenditures of State Financial Assistance* (Exhibit K-4) will include state aid available only to Abbott school districts, such as Abbott Parity Remedy Aid, additional Abbott v. Burke state aid and Preschool Expansion Aid (PSEA) in the general fund section (with a walkover to the special revenue section – ECPA- for the PSEA). The special revenue fund budgetary expenditures reported on *Schedule B, Schedule of Expenditures of State Financial Assistance* are obtained from the applicable district-wide restricted aid schedule (Exhibits E-3, E-4 or E-5). The cash received for PSEA is reported in the general fund where it is originally recorded. Since it is then transferred over to the special revenue fund to be used with ECPA, it is reported on the Schedule B in the Adjustments column. See the sample Schedule B that follows this section.

Economic Development Authority/School Construction Corporation (EDA/SCC) grants for facilities construction should be included in this section if the school district owns the real estate at June 30 on which improvements have been made or are in progress. Although the EDA/SCC constructs the facilities, the improvements, additions, or buildings on school district land are considered a noncash revenue to the school district.

NOTE 3, RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (EXHIBIT K-5)

Note 3, Relationship to Basic Financial Statements, included in the *Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance* (Exhibit K-5), for Abbott school districts will include the contribution of restricted federal and state resources to WSR, which are recorded as operating transfers from the special revenue fund to the general fund. The amounts to be included in the general fund line are obtained from the Fund 15 district-wide summary of the *Blended Resource Fund Schedule of Expenditures Allocated by Resource Type - Actual* (Exhibit D-2) and are labeled Other State Resources and Total Restricted Federal Resources, as applicable. The PSEA is included as state revenue in the special revenue fund and reduces the revenue of the general fund. This amount is originally reported in the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1) under Operating Transfers Out as Transfer to Special Revenue Fund – Preschool Programs. State aids recorded as general fund revenue in Fund 10 are added to other state resources to determine the state expenditures in the general fund. These amounts must be included in the General Fund line of this footnote.

NOTE 7. SCHOOLWIDE PROGRAM FUNDS (EXHIBIT K-5)

The OMB A-133 Compliance Supplement encourages showing in a footnote, by program, the amounts used in schoolwide programs. A sample footnote, *Note 7, Schoolwide Program Fund.* included in the *Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance* (Exhibit K-5), should detail, by program, the amounts included in the schoolwide programs in the school district. These amounts are reported on the budgetary basis as calculated in the Encumbrance worksheet (Exhibit ENC-W/S).

INSERT Exhibit K-3, Schedule A

Schedule of Expenditure of Federal Awards

To display the K-3 illustration, click on the following link:

[Single Audit](#)

Select the tab entitled "Schedule A".

Selecting print will produce page 67 of the Abbott Addendum.

INSERT EXHIBIT K-4, Schedule B

**Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2004**

To display the K-4 illustration, click on the following link:

[Single Audit](#)

Select the tab entitled "Schedule B".

Selecting print will produce page 68 of the Abbott Addendum.

Exhibit K-5**ANYTOWN SCHOOL DISTRICT****Notes to Schedules of Expenditures of Awards and Financial Assistance****June 30, 2004****3. Relationship to Basic Financial Statements**

Amounts reported in the accompanying schedules can be reconciled to the amounts reported in the Board's basic financial statements. The basic financial statements present the General Fund and the Special Revenue Fund on a GAAP basis. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See the Note to the Required Supplementary Information/ Budget to GAAP Reconciliation (Exhibit C-3) for a reconciliation to the GAAP basis of accounting for the General Fund and for the Special Revenue Fund.

Federal and state award revenues, including those contributed to WSR, are reported in the Board's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General fund	\$ 1,557,045	\$ 13,177,763	\$ 14,734,808
Special revenue fund	236,000	5,130,746	5,366,746
Debt service fund	-0-	195,286	195,286
Enterprise fund	549,391	37,173	586,564
Total financial award revenues	<u>\$ 2,342,436</u>	<u>\$ 18,540,968</u>	<u>\$ 20,883,404</u>

7. Schoolwide Program Funds

Schoolwide programs are not separate Federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditure of Federal Awards. The following funds by program are included in schoolwide programs in the school district.

Program	Total
Title I, Part A: Improving Basic Programs	\$ 615,764
Title II: Teacher and Principal Training and Recruiting	497,682
Title II, Part D. Enhancing Education through Technology	112,071
Title IV: Safe and Drug-Free Schools and Communities	150,319
Title V Innovative Programs	170,987
Total	<u><u>\$ 1,546,823</u></u>

EXCESS SURPLUS CALCULATION AND INSTRUCTIONS FOR ABBOTT SCHOOL DISTRICTS

This section is included in this Addendum to provide detailed instructions on preparing the excess surplus calculations in Abbott school districts. Abbott school districts should select the calculation applicable to the circumstances in their school district in Section I. Sections 2 and 3 are the same as in The Audit Program.

The 2004-05 Appropriations Act requires school districts receiving additional Education Opportunity Aid as supplemental funding (discretionary education opportunity aid or DEOA) in 2004-05 to reduce June 30, 2004 surplus to 2 percent.

School districts receiving additional Abbott v. Burke state aid in 2003-04 or DEOA in 2004-05 must complete Calculation A. Excess surplus generated as a result of the 2 percent calculation is to be included on line 10024 in Audsum and budgeted in 2004-05. Detailed line-by-line instructions for Calculation A follow the sample.

School districts not receiving additional Abbott v. Burke state aid in 2003-04 or DEOA in 2004-05 are required to complete Calculation B at 3 percent. Detailed line-by-line instructions follow the sample calculations (after Calculation B).

P.L. 2004, c.73 (S1701), signed by the Governor on July 1, 2004, impacts the excess surplus calculation at June 30, 2004. New lines have been added to the template in this Addendum to reflect adjustments that may have to be made to the school district's expenditures or surplus, or the reporting of excess surplus. Auditors should refer to The Audit Program, Significant Changes section, page i-v for further guidance regarding the excess surplus calculation and other audit areas affected by this legislation.

Excess surplus is a budget related calculation using the General Fund expenditures and fund balance of the budgetary comparisons statements/schedules. These amounts are reported on the modified accrual basis with the exception of a state legally mandated revenue recognition policy that is in conflict with GASB Statement No. 33 for the 2003-04 budget year. The amounts used in the calculation must be taken from the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1).

Sample Excess Surplus Calculation for Anytown School District

Section 1

Calculation A: 2% Excess Surplus:

School districts receiving additional Abbott v. Burke state aid in 2003-04 or DEOA in 2004-05 are required to complete this calculation using 2% on line A10.

2003-04 Total General Fund Expenditures Reported on Exhibit C-1	\$ _____		(A)
Less: Expenditures Allocated to Restricted Federal Resources as Reported on Exhibit D-2	\$ _____		(A1)
2003-04 Adjusted General Fund & Other State Expenditures [(A)-(A1)]		\$ _____	(A2)
Decreased by:			
On-Behalf TPAF Pension & Social Security		\$ _____	(A3)
Assets Acquired Under Capital Leases:			
General Fund 10 Assets Acquired Under Capital Leases reported on Exhibit C-1a	\$ _____		(A4)
Add: General Fund & State Resources Portion of Fund 15 Assets Acquired under Capital Leases:			
Assets Acquired Under Capital Leases in Fund 15 reported on Exhibit C-1a	\$ _____		(A5)
Combined General Fund Contribution & State Resources % of Fund 15 Resources Reported on Exhibit D-2	_____ %		(A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	\$ _____		(A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]		\$ _____	(A8)
Adjustment for Disallowed Expenditures per S1701.		\$ _____	(A9)
Adjusted 2003-04 General Fund Expenditures [(A2)-(A3)-(A8)-(A9)]		\$ _____	(A10)
2% of Adjusted 2003-04 General Fund Expenditures [(A10) times .02]		\$ _____	(A11)
Enter Greater of (A11) or \$100,000		\$ _____	(A12)
Increased by: Allowable Adjustment *		\$ _____	(K)
Maximum Unreserved/Undesignated Fund Balance [(A12)+(K)]		\$ _____	(M)

Line	<u>Instructions for Calculation A - GASB 34 Exhibit References</u>
(A)	The total combined general fund expenditures (Funds 11-13 plus Fund 15) reported in the actual fund column of the <i>Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1). Note this is a balance based on budgetary amounts.
(A1)	The total Fund 15 expenditures allocated to restricted federal resources reported on the district-wide Schedule of Expenditures Allocated by Resource Type – Actual for the Fiscal Year Ended June 30, 2004 (Exhibit D-2).
(A2)	Subtract line (A1) from line (A). This results in the total amount of general fund expenditures being used to calculate the maximum unreserved/undesignated fund balance for an Abbott school district.
(A3)	The sum of the non-budgeted TPAF pension on-behalf payment plus the non-budgeted TPAF social security reimbursement reported in the State Sources section of the <i>Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1).
(A4)	The total Fund 10 assets acquired under capital leases amount is obtained from the Actual Operating Fund column of the <i>Combining Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1a).
(A5)	The Fund 15 assets acquired under capital leases amount is obtained from the Actual Blended Resource Fund column of the <i>Combining Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1a).
(A6)	The percentage of the overall district-wide Fund 15 expenditures, which were funded with general fund contribution or state resources. This percentage is obtained from the line entitled “Combined General Fund Contribution & State Resources” on the district-wide <i>Blended Resource Fund 15 -Schedule of Expenditures Allocated by Resource Type – Actual</i> (Exhibit D-2).
(A7)	The general fund and state resources portion of Fund 15 assets acquired under capital leases and is determined by multiplying the total Fund 15 assets acquired under capital leases reported on line (A5), by the combined general fund contribution and state resources percentage reported on line (A6).
(A8)	The total assets acquired under capital leases with general fund contribution and state resources. Line (A8) is the sum of lines (A4) and (A7).
(A9)	The adjustment for disallowed expenditures (post April 2004 school election) pursuant to P.L. 2004, c.73 (S1701). Refer to <u>The Audit Program, Significant Changes</u> , page ii of the Introduction.
(A10)	The total adjusted expenditures upon which the maximum unreserved/undesignated fund balance is calculated; the result of line (A2) minus line (A3) minus line (A8) minus (A9).
(A11)	This line represents 2 percent of general fund expenditures and is calculated by multiplying line (A10) by 2 percent. If a school district is receiving additional Abbott v. Burke state aid in 2003-04 or DEOA in 2004-05, this calculation MUST be completed at June 30, 2004 using 2%.
(A12)	The maximum allowable amount of unreserved/undesignated fund balance, prior to allowable adjustments.
(K)	This line is calculated in Section 3 of the excess surplus calculations.
(M)	The total maximum allowable unreserved/undesignated fund balance for a school district receiving additional Abbott v. Burke state aid in 2003-04 or <u>DEOA in 2004-05</u> . This amount is calculated here as line (A12) plus line (K).

Excess Surplus Calculation (continued)**Calculation B: 3% Calculation of Excess Surplus**

(This calculation is not to be completed by school districts that received additional Abbott v. Burke state aid in 2003-04 or will receive DEOA in 2004-05.)

2003-04 Total General Fund Expenditures Reported on Exhibit C-1	\$_____	(B)
Less: Expenditures Allocated to Restricted Federal Resources as Reported on Exhibit D-2	\$_____	(B1)
2003-04 Adjusted General Fund & Other State Expenditures [(B)-(B1)]	\$_____	(B2)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$_____	(B3)
Assets Acquired Under Capital Leases: General Fund 10 Assets Acquired Under Capital Leases Reported on Exhibit C-1a	\$_____	(B4)
Add: General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases: Assets Acquired Under Capital Leases in Fund 15 Reported on Exhibit C-1a	\$_____	(B5)
Combined General Fund Contribution & State Resources % of Fund 15 Resources Reported on Exhibit D-2	_____%	(B6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(B5)*(B6)]	\$_____	(B7)
Total Assets Acquired Under Capital Leases [(B4)+(B7)]	\$_____	(B8)
Adjustment for Disallowed Expenditures per S1701	\$_____	(B9)
Adjusted 2003-04 General Fund Expenditures [(B2)-(B3)-(B8)-(B9)]	\$_____	(B10)
3% of Adjusted 2003-04 General Fund Expenditures [(B10) times .03]	\$_____	(B11)
Enter Greater of (B11) or \$100,000	\$_____	(B12)
Increased by: Allowable Adjustment *	\$_____	(K)
Maximum Unreserved/Undesignated Fund Balance [(B12)+(K)]	\$_____	(M)

Excess Surplus Calculation (continued)

Line	<u>Instructions for 3% Calculation</u>
(B)	The total combined general fund expenditures (Funds 11-13 plus Fund 15) reported in the <i>Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1). Note this is a balance based on budgetary amounts.
(B1)	The total Fund 15 expenditures allocated to restricted federal resources reported on the district-wide <i>Schedule of Expenditures Allocated by Resource Type – Actual for the Fiscal Year Ended June 30, 2004</i> (Exhibit D-2).
(B2)	Subtract line (B1) from line (B). This results in the total amount of general fund expenditures used to calculate the maximum unreserved/undesignated fund balance for an Abbott school district.
(B3)	The sum of the non-budged TPAF pension on-behalf payment plus the non-budged TPAF social security reimbursement reported in the State Sources section of the <i>Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1).
(B4)	The total Fund 10 assets acquired under capital leases amount is obtained from the Actual Operating Fund column of the <i>Combining Budgetary Schedule – General Fund</i> (Exhibit C-1a).
(B5)	The total Fund 15 assets acquired under capital leases amount is obtained from the Actual Blended Resource Fund column of the <i>Combining Budgetary Schedule – General Fund</i> (Exhibit C-1a).
(B6)	The percentage of overall district-wide Fund 15 expenditures, funded with general fund contribution or state resources. This percentage is obtained from the “Combined General Fund Contribution & State Resources” line on the district-wide <i>Blended Resource Fund 15 - Schedule of Expenditures Allocated by Resource Type – Actual</i> (Exhibit D-2).
(B7)	The general fund and state resources portion of Fund 15 assets acquired under capital leases is determined by multiplying the total Fund 15 assets acquired under capital leases reported on line (B5) by the combined general fund contribution and state resources percentage reported on line (B6).
(B8)	The total assets acquired under capital leases with general fund contribution and state resources. Line (B8) is the sum of lines (B4) and (B7).
(B9)	The adjustment for the disallowed expenditures (post April 2004 school election) pursuant to P.L. 2004, c.93 (S1701). Refer to <u>The Audit Program</u> , Significant Changes, page ii of the Introduction.
(B10)	The total adjusted expenditures upon which the maximum unreserved/undesignated fund balance is calculated; the result of line (B2) minus line (B3) minus line (B8) minus line (B9).
(B11)	This line represents 3 percent of general fund expenditures calculated by multiplying the preceding line (B10) by 3 percent.
(B12)	This line is the maximum allowable amount of unreserved/undesignated fund balance, prior to allowable adjustments.
(K)	This line is calculated in Section 3 of the excess surplus calculations.

Line**Instructions for 3% Calculation**

- (M) The total maximum allowable unreserved/undesignated fund balance is calculated here as line (B12) plus line (K).

SECTION 2:

Total General Fund – Fund Balances at June 30, 2004 \$_____ (C)

Decreased by:

Reserved for Encumbrances \$_____ (C1)

Legally Restricted – Designated for Subsequent Year's Expenditures \$_____ (C2)

Excess Surplus – Designated for Subsequent Year's Expenditures ** \$_____ (C3)

Other Reserved Fund Balances**** \$_____ (C4)

Unreserved – Designated for Subsequent Year's Expenditures \$_____ (C5)

Increased by:

Adjustment for Disallowed Transfers per S1701 \$_____ (C6)

Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)+(C6)] \$_____ (U)

SECTION 2 Instructions:Line

- (C) The total general fund balance at June 30, 2004 (combined Fund 10 and Fund 15) per the *Budgetary Comparison Schedule* (Exhibit C-1).
- (C1) The total general fund balance reserved for encumbrances at June 30, 2004 (combined Fund 10 plus Fund 15).
- (C2) The amount of general fund balance (combined Fund 10 and Fund 15) legally restricted for subsequent year's expenditures. This amount is to be appropriated in the 2004-05 general fund budget.
- (C3) The June 30, 2003 excess surplus amount. This amount must be included in the Audit Summary Worksheet Line 10025, and appropriated in the 2004-05 general fund budget.
- (C4) Other reserved fund balances. (Such as Adult Ed. Programs, maintenance reserve, etc.). See required detailed statement below.
- (C5) The unreserved fund balance designated for subsequent year's expenditures. This amount is to be appropriated in the 2004-05 general fund budget.

(C6) The adjustment to increase fund balance for disallowed transfers pursuant to P.L. 2004, c.73 (S1701). This line is used for a disallowed post April 2004 transfer of surplus that was actually expended versus encumbered. Refer to The Audit Program, Significant Changes, page ii of the Introduction.

(U) The total unreserved undesignated fund balance at June 30, 2004. This amount is determined by subtracting lines (C1), (C2), (C3), (C4), (C5) and adding line (C6) from/to line (C). This is the amount that will be compared to the maximum unreserved/undesignated fund balance reported on line (M) to determine whether an excess surplus situation exists at June 30, 2004.

SECTION 3:

Reserved Fund balance – Excess Surplus ***[(U)-(M)] IF NEGATIVE ENTER–0 \$_____ (E)

Recapitulation of Excess Surplus as of June 30, 2004

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures ** \$_____ (C3)

Reserved Excess Surplus *** [(E)] \$_____ (E)

Fund Balance Reserved for 2005-06 per S1701 \$_____ (F)

Total [(C3) + (E) + (F)] \$ _____ (D)
=====

* This adjustment line (line (K) as detailed below) is to be utilized for Impact Aid, Sale, Lease-back (Refer to The Audit Program Section II, Chapter 10), Extraordinary Aid if applicable (Refer to The Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid), and Additional Nonpublic School Transportation Aid for 2003-04 received in July 2004 only to the extent not budgeted in 2003-04.

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(J1)
Additional Nonpublic School Transportation Aid	\$ _____	(J2)
Total Adjustments (H)+(I)+(J1)+(J2)	\$ _____	(K)

=====

** This amount represents the June 30, 2003 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025. School districts that received additional Abbott v. Burke state aid in 2003-04 should not have an amount on this line. Only school districts that did not receive additional Abbott v. Burke state aid in 2003-04 may have an amount on this line at June 30, 2004. If the school district received additional Abbott v. Burke state aid in 2003-04, the June 30, 2003 excess surplus was required to be budgeted in 2003-04.

*** Amount must agree with the June 30, 2004 CAFR and Audit Summary Worksheet Line 10024. Abbott school districts receiving additional Abbott v. Burke state aid in 2003-04 or DEOA 2004-05 must budget excess surplus generated at June 30, 2004 in 2004-05.

**** Amount for Other Reserved Fund Balance must be detailed for each source and request for approval to use amounts other than state imposed legal restrictions in the excess surplus calculation must be submitted to the Assistant Commissioner of Finance prior to September 30.

- (N-1) Districts receiving DEOA in 2004-05 should not have a capital reserve in excess of \$1.00.
 (N-2) Districts receiving DEOA in 2004-05 should not have an amount in maintenance reserve in excess of the minimum required under EFCFA.
 (N-3) Districts receiving DEOA in 2004-05 are not permitted to have a tuition reserve at June 30, 2004.

Detail of Other Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ _____
Capital outlay for a school district with a capital outlay SGLA	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve (N-1)	\$ _____
Maintenance reserve (N-2)	\$ _____
Tuition reserve (N-3)	\$ _____

Other Reserved Fund Balance not noted above **** \$ _____

Total Other Reserved Fund Balance \$ _____ **(C4)**

SECTION 3 Instructions:

Line

- (E) This line is calculated as line (U) minus line (M) and represents the excess surplus at June 30, 2004, which will be reported in the CAFR and on Audit Summary Worksheet Line 10024. If the result of subtracting line (M) from line (U) is negative, then zero should be entered on this line. Excess surplus generated at June 30, 2004 is required to be budgeted in 2005-06 if the school district is not requesting DEOA in 2004-05. If the school district is requesting DEOA in 2004-05, excess surplus generated at June 30, 2004 must be calculated using the 2% calculation and must be budgeted in 2004-05.

Recapitulation of Excess Surplus as of June 30, 2004

Line

- (C3) Line (C3) represents excess surplus generated at June 30, 2003 and should be included on the 2003-04 Audit Summary Worksheet Line 10025. This amount was to be appropriated in the 2004-05 general fund budget unless the school district received additional Abbott v. Burke aid in 2003-04. School districts that received additional Abbott v. Burke state aid in 2003-04 should not have an amount on this line. This is the same as line (C3) included in Section 2 above. Only school districts that did not receive additional Abbott v. Burke state aid in 2003-04 would have an amount on this line at June 30, 2004. If the school district received additional Abbott v. Burke state aid in 2003-04, the June 30, 2003 excess surplus was required to be budgeted in 2003-04.
- (E) This line represents the excess surplus generated at June 30, 2004 and must agree with the June 30, 2004 CAFR and be reported in the 2003-04 Audit Summary Worksheet Line 10024. Those school districts which received additional Abbott v. Burke state aid in 2003-04 must budget excess surplus generated at June 30, 2004 in 2004-05.
- (F) This line represents the excess surplus calculated at June 30 pursuant to P.L. 2004, c.73. This line should only be used for a disallowed "certification" in the A4F recertification process. Refer to *The Audit Program, Significant Changes*, page ii of the Introduction.

- (D) Line (D) represents the sum of the June 30, 2003 and June 30, 2004 excess surplus (lines (C3) + (E) + (F)).

Detail of Allowable Adjustments

- Line
- (H) Line H represents the amount of Impact Aid received by the school district during 2003-04. This amount is obtained from the line entitled "Federal Sources: Impact Aid" on the *Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual* (Exhibit C-1a).
- (I) Line I represents the proceeds realized from the sale-lease back of textbooks and non-consumable instructional materials during the current year, and is excluded from the calculation of excess undesignated general fund balance. See The Audit Program Section II-10.8 for a more detailed discussion of this adjustment.
- (J1) Line J1 represents the extraordinary aid received by the school district in 2003-04 and excluded from the excess surplus calculation in the current year. This amount can **only** be excluded from the excess surplus calculation if the school district can clearly document that they did not budget this additional aid during the 2003-04 fiscal year for which they filed an application. See The Audit Program Section II-10.4 for a more detailed discussion of this adjustment.
- (J2) This line is used for Additional Nonpublic Transportation Aid received in July 2004, but recorded in 2003-04. This amount is only excluded from the excess surplus calculation if the school district can document that they did not budget the additional aid during 2003-04.
- (K) Line (K) is the sum of lines (H), (I), (J1) and (J2) and represents the total allowable adjustment to increase the maximum unreserved/undesignated fund balance.

TPAF AND FICA REIMBURSEMENT FOR WSR SCHOOLS

N.J.S.A. 18A:66-90 requires each public employer (school district) to reimburse the State for the amount of TPAF and social security contributions paid by the State on behalf of the school district for contractual teacher salaries charged to federally funded programs. This reimbursement, together with supporting documentation prescribed by the Director of Pensions, must be remitted to the Department of Education within 90 days after the close of the fiscal year.

The implementation of WSR, and the blending of federal, state and local funds in the school-based budget recorded in Fund 15, necessitates a calculation of the salary amounts paid in Fund 15, which are attributable to federal sources. This calculation is necessary to enable the school district to remit the correct amount of funds to the Department of Education. This calculation pertains to schools implementing school-based budgeting for the year ended June 30, 2004 and is detailed below and illustrated at the Appendix A-1 series of this Addendum.

Procedures to Calculate TPAF and Employer Share of Social Security & Medicare Charged to Federal Programs in a WSR School to be Remitted to the Department of Education in Compliance with N.J.S.A. 18A:66-90

The following steps one through four need to be performed for each school:

- 1.) Perform a payroll sort from the school district's payroll system, by school, detailing the teachers at each school and each teacher's contracted salaries paid during the year. (This amount is to be contracted base wages only and should not include stipends or extra-curricular activity payments.) This amount should be broken out between salaries paid from July 1, 2003 through December 31, 2003 and salaries paid from January 1, 2004 through June 30, 2004. Salaries paid for the calendar year ended December 31, 2003 will also be needed to calculate the social security and Medicare portions of FICA salaries over and under \$87,000 for the 2003 calendar year.
- 2.) The total fiscal year contractual salaries must then be broken down by calendar year to determine the amount paid which is less than or equal to \$87,000 for the 2003 calendar year; the amount which exceeds \$87,000 for the 2003 calendar year; the amount paid which is less than or equal to \$87,900 for the 2004 calendar year; and the amount which exceeds \$87,900 for the 2004 calendar year. This information is necessary to calculate the social security and Medicare portions of FICA. This is most easily accomplished by sorting the information into two columns for each calendar year and totaling the columns.
- 3.) The amounts determined in 2.) above need to be accumulated and multiplied by the Title 1 percentage calculated on the current year *Schedule of Expenditures Allocated by Resource Type* to determine the Title 1 proportionate share of salaries. The amounts determined in 2.) above then need to be accumulated and multiplied by the "all other federal programs" rate to determine the all other federal programs proportionate share of salaries. The all other federal programs rate is the sum of the percentages calculated on the current year *Schedule of Expenditures Allocated by Resource Type* for all federal programs excluding Title 1.
- 4.) The reimbursement amounts will also need to be calculated at the school level to enable the reimbursements to be recorded in the individual school's Fund 15. The social security, Medicare and TPAF rates are then applied to the salary amounts determined in steps two and three above to calculate the social security, Medicare and TPAF reimbursements due to the Department of Education for each WSR school.
- 5.) The federal program salaries calculated for each school in steps one through five will then be entered onto the worksheet entitled *WSR TPAF and FICA Calculation to Comply with N.J.S.A. 18A:66-90* in the applicable column and should be included in the salary amounts reported on the reimbursement form entitled, *Reimbursement to State of New Jersey – N.J.S.A. 18A:66-90*. The school district should retain the worksheet and the individual school calculations as supporting documentation of the WSR salaries included in the amounts reported on the reimbursement form. The school district's public school accountant will need to verify these calculations prior to signing off on the reimbursement form.

PROCEDURES FOR AUDITING FUND 15 EXPENDITURES

Introduction/Overview of Fund 15/Schoolwide Program Status

As a result of the May 21, 1998 Abbott v. Burke Supreme Court decision, Abbott school districts were required to submit school-based budgets for those schools implementing Whole School Reform (WSR). This Addendum addresses audit and reporting issues specific to Abbott school districts implementing WSR and preparing school-based budgets.

The requirement for school-based budgeting necessitated the creation of a Blended Resource Fund (Fund 15) for the school-level data. Due to this change, the general fund in an Abbott school district includes Funds 11 – 13, which collectively represent the operating fund of the school district and a Fund 15 for each WSR school. Fund 15 is school-level accounting while Funds 11 – 13 are district-level data.

Fund 15 expenditures are funded by various revenue sources and cannot be specifically identified to a particular revenue source. The Elementary and Secondary Education Act (ESEA), as reauthorized, by The No Child Left Behind Act of 2001 (NCLB), Title I, Part A, permits combining/blending of federal funds in a school operating a Title I Schoolwide program (NCLB ¶1114). If a school is not operating a Title 1 schoolwide program but is operating a Title 1, Targeted Assistance Program, federal funds cannot be combined and must be used only for programs that provide services to eligible children identified as having the greatest need for special assistance (NCLB ¶1115). In New Jersey, the blending of state and local resources with federal resources in a schoolwide program in Abbott school districts is permitted by *N.J.A.C. 6A:24-4.4(a)4* and *6A:10A-8.1(a)1* which state that except where prohibited by Federal law, all local, State and Federal funds shall be considered general funds available for WSR activities, notwithstanding any restrictions that would otherwise apply.

It is important that auditors are cognizant of the federal laws permitting blending of federal resources. An overview of the basics of a schoolwide program, including the federal program funds that can be blended in a schoolwide program, is presented as part of this document in the section entitled “Schoolwide Programs.” Refer to that section also for links to federal and state web sites.

Only eligible Title I schools receiving Title I funds may operate schoolwide programs.

Abbott schools, which do not have approved Title 1 schoolwide program status, are not permitted to blend federal funds, but are required to blend certain state and local funds as permitted by *N.J.A.C. 6A:24-4.4(a)4* and *6A:10A-8.1(a)1*. The allocations and reporting requirements detailed in this document should be applied to the blended state and local resources in Fund 15 in schools that do not have schoolwide status in the same manner as they are applied to the blended federal, state and local resources in schools that do have schoolwide status. New Jersey Department of Education requires all WSR schools to record school-based budget expenditures in Fund 15. Funds are viewed as combined at the time they are expended from a particular program account for a schoolwide program expense.

AUDITOR TESTING REQUIREMENTS

OMB A-133 Compliance & Reporting:

A schoolwide program is not a separate federal program as defined in OMB A-133, or a separate State program. Therefore, expenditures incurred in schoolwide programs must be included in the total expenditures of the program contributing the funds when determining Type A and Type B Programs for Single Audit testing selection determination. Since schoolwide programs are not separate federal programs as defined in OMB Circular A-133, amounts used in schoolwide programs should be included in the total expenditures of the program contributing the funds when determining Type A Programs and in the *Schedule of Expenditure of Federal Awards*. The March 2004 OMB Compliance Supplement encourages showing in a footnote, by program, the amounts used in schoolwide programs. **Abbott school district auditors should review the OMB A-133 Compliance Supplement for specific audit requirements of federal programs as well as audit requirements applicable to schoolwide programs.** The March 2004 compliance supplement can be found at:

http://www.whitehouse.gov/omb/circulars/a133_compliance/04/04toc.html

The *Schedules of Expenditures of Federal Awards and State Financial Assistance* (Exhibits K-3 and K-4, respectively), as well as the expenditures reported on the *DEPA, ECPA and DLNA Restricted Aid Schedules* (Exhibits E-2 through E-4), and the *Special Revenue Fund Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-1) include the total expenditures of the program funds for all schools in the school district on the budgetary basis and therefore include encumbrances as expenditures. Expenditures incurred in Fund 15 are recorded on the GAAP basis, similar to the General Fund. In order to include the WSR expenditures in these schedules, the GAAP expenditures must be adjusted for encumbrances to determine the budgetary basis of these expenditures.

Fund 15 - GAAP Basis Expenditure Testing

The school district is required to prepare a *Schedule of Blended Expenditures – Budget and Actual* (Exhibit D-3) for each WSR school. This schedule accounts for all Fund 15 GAAP basis expenditures for a particular school. The auditor should obtain the detailed general ledger from which these statements were prepared, ensure that the amounts included in the schedules agree with the general ledger and then select specific expenditures for testing from the general ledger. Each expenditure tested is paid from the combined/blended funds, and therefore is paid for in part by each funding source combined/blended in Fund 15 and cannot be specifically identified to a particular funding source. Each expenditure selected for testing must be analyzed to determine whether it is consistent with the first year of the three-year operational plan for that school. The auditor must perform sufficient detailed expenditure testing to ensure that the GAAP expenditures recorded in Fund 15 are valid expenditures consistent with the approved first year of that school's three-year operational plan. This procedure should be performed to test expenditures in all WSR schools in the school district.

Auditors' cash disbursement testing procedures should include reviewing disbursements to determine whether penalties or interest costs were incurred and whether the school district took full advantage of allowable discounts for prompt payment. School districts should not be taking advantage of discounts that are in violation of the Public Schools Contracts Law, N.J.S.A. 18A or *N.J.A.C.* 6A:23. Paying penalty and interest costs or the failure to take full advantage of allowable discounts for prompt payment are violations of *N.J.A.C.* 6A:10A-7.1(f)5viii and noted instances, including the amounts noted during testing, must be reported in the Auditor's Management Report. Auditors are directed to test for penalties, interest and allowable prompt payment discounts during their review of the school districts' internal controls and the application of standard testing methods, as well as during compliance testing and the performance of single audit procedures. That is, each general fund (including Fund 15) or special revenue fund expenditure transaction tested for those procedures must also be tested for penalties, interest and allowable discounts. Questions have been added to

the Audit Questionnaire regarding interest, penalties and forfeited discounts and the dollar amount of such items noted during audit testing.

Fund 15 – Blended Resources Testing:

A school **must** be operating an approved Title 1 schoolwide program in order to blend federal funds. If a school implementing school-based budgeting does not have approved Title 1 schoolwide status, they can only blend state and local funds in their school-based budgets.

The auditor should review the school district's approved FY 2004 NCLB Consolidated Application (Application) to determine which schools within the school district have Title 1 approved schoolwide program status. The listing of Title 1 schools identified by Program Approach Code: targeted assistance (T) school, Title I schoolwide program (S) school, school planning to be a Title I school program (P) school or schools not served (N) can be found on page 6 of the Application. This page is entitled "Title I Eligibility of School Attendance Areas." Only schools with approved schoolwide status may blend federal funds with state and local funds.

The auditor should ensure the amounts from each federal program blended in the individual school-based budgets agree with the approved Application. The listing of federal funds by funding source approved for use in each schoolwide program can be found on the "Program Coordination & Budget & Detail" page of the Application. This procedure should be performed to test revenues in all WSR schools in the school district.

Once the auditor has determined that the resources transferred to Fund 15 agree with the approved Application; that the expenditures reported in Fund 15 are valid expenditures consistent with the approved first year of the school's three-year operational plan and recorded any adjustments necessary to reflect the effect of errors noted during testing, the auditor should test the school district's calculations of allocated GAAP expenditures and allocated GAAP surplus/carryover to ensure that they are calculated in accordance with the instructions provided by the department. If the auditor recorded any Fund 15 adjustments, the school district's allocated GAAP expenditures and GAAP surplus/carryover should be recalculated. Instructions on how to perform this allocation are part of this document in the section entitled "Preparing the Blended Resource Fund 15 – Schedule of Expenditures Allocated by Resource Type – Actual (Exhibit D-2 series)."

Fund 15 – Budgetary Basis Encumbrance Testing

Expenditures incurred in Fund 15 are recorded on the GAAP basis. Expenditures included in the *DEPA*, *ECPA* and *DLNA Restricted Aid Schedules* (Exhibits E-2 through E-4), the *Special Revenue Fund Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-1) and the *Schedules of Expenditures of Federal Awards and State Financial Assistance* (Exhibits K-3 and K-4) are reported on the budgetary basis and therefore include encumbrances as expenditures. The amounts calculated on the *Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2) are on the GAAP basis and will need to be adjusted for any encumbrances when including those expenditures in these schedules.

The auditor should apply the procedures in the September 16, 2003 Encumbrance HOTLINE issued by Assistant Commissioner Rosenberg to the encumbrances recorded at each school to ensure that the purchase orders encumbered are valid encumbrances consistent with the individual school's three-year operational plan. Once the auditor has determined that the encumbrances for each school are valid, and recorded any adjustments necessary to reflect the effect of errors noted during testing, the auditor should test the school district's calculations of allocated encumbrances to ensure that they are calculated in accordance with the instructions provided by the department. If the auditor recorded any encumbrance adjustments, the school district's encumbrances should be reallocated. Instructions on how to perform this allocation are part of this document in the section entitled "Special Revenue Fund Combining Schedule of Program Revenues and Expenditures– Budgetary Basis (Exhibit E-1)."

A sample encumbrance calculation (Exhibit D-2 Worksheet) has been included in this document to illustrate the calculations and the reporting of the amounts on Exhibit D-2. This worksheet should not be included in the CAFR.

The sample encumbrance calculation includes an allocation of encumbrances to the Combined General Fund Contribution and State Resources. This was done to illustrate how the total encumbrances are allocated based on the “% of Total Resources”. **Encumbrances are not reported as expenditures in Fund 15. Encumbrances are recorded as “Fund Balance Reserved for Encumbrances” in the Fund 15 column of the Combining Balance Sheet (Exhibit D-1). The Combining Balance Sheet is required to be included in the CAFR.**

Once the auditor has gained assurance that the Fund 15 expenditures and encumbrances are valid expenditures and encumbrances consistent with the approved three-year operational plan and the allocations of the total Fund 15 GAAP basis expenditures and encumbrances are correct, the auditor must ensure the correct amount of WSR budgetary expenditures has been included in the *Schedules of Federal Awards and State Financial Assistance* (Exhibits K-3 and K-4) for each restricted federal or state program, the *Special Revenue Fund – Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-2) and the *DEPA, ECPA and DLNA Restricted Aid Schedules* (Exhibits E-2 through E-4). The WSR expenditures included on the *Schedules of Federal Awards and State Financial Assistance* for each restricted federal or state aid the *Special Revenue Fund Combining Schedule of Program Revenues and Expenditures – Budgetary Basis and the DEPA, ECPA and DLNA Restricted Aid Schedules* should be the total of the GAAP basis expenditures allocated to the particular restricted aid plus the total current year encumbrances allocated to the particular restricted aid less the total prior year encumbrances allocated to the particular restricted state aid at all WSR schools in the school district.

SPECIAL EDUCATION MEDICAID INITIATIVE (SEMI) PROGRAM AND MEDICAID ADMINISTRATIVE CLAIMING

The SEMI program is a federal program, which allows the State of New Jersey and its LEAs to bill for certain special education services such as physical therapy, occupational therapy, speech therapy and specialized transportation through the SEMI system. SEMI is limited to services provided in education settings under the auspices of the Commissioner of Education. School districts were advised by the NJ Department of the Treasury letter of February 25, 2003 of two separate and distinct school-based Medicaid reimbursement programs: Direct Service – Special Education Medicaid Initiative (SEMI) and Medicaid Administrative Claiming. The State’s billing vendor for both programs is MAXIMUS. School districts were also reminded by NJ Department of the Treasury letter in June 2003 of the requirement to maintain certain documentation to support these claims. The SEMI Handbook outlines the procedures and required documentation.

Since SEMI generates revenues for the State of New Jersey and its LEAs, auditors should perform the following detailed audit procedures to assess the school districts’ efforts in maximizing this resource:

- Auditors should verify that school districts have enrolled in the SEMI program, and have appointed a SEMI coordinator. The auditor should also review the school district’s internal control procedures which identify and encourage the registration of pupils during the IEP conference, the initial evaluation, and the initial school registration. School district procedures for obtaining parental consent for eligible pupils should also be reviewed by the auditor. Periodic reevaluation of registered pupils should be verified by the auditor.
- Since federal regulations provide a twelve-month window of time to file claims for service, auditors should verify that school districts are submitting claims for reimbursement to the Billing Unit on a

monthly basis, using the Turnaround Documents provided by the Billing Unit. These claims must be supported by detailed records of the services provided, along with parental consent.

- Auditors should give consideration to these programs when performing Single Audit procedures. Auditors should refer to the section of the federal OMB -133 Compliance Supplement for CFDA #93.778 for the Medicaid Assistance program requirements which are applicable to both the SEMI and the administrative claim programs.

The Auditor's Questionnaire 2003-04 included in The Audit Program, contains question #19 and 20 (reprinted below for convenience) pertaining to whether the school district has maintained the required documentation for the SEMI and Medicaid Administrative Claiming programs. .

19. Is the school district appropriately assisting the State in maximizing federal participation pursuant to section 7 of P.L. 1968, c. 413 (C.30:4D-7) (SEMI Medicaid Program)? Consider the following:
- Has the school district appointed a SEMI Coordinator? Yes _____ No _____
 - Has the school district applied for participation in the SEMI program with the Department of Education, Medicaid and DMG-MAXIMUS? Yes _____ No _____
 - Do the IEPs identify services which are eligible for reimbursement under the SEMI program? Yes _____ No _____
 - Does the school district have a process for identifying new students eligible for the SEMI program? Yes _____ No _____
 - Does the school district have a process for acquiring parental consent for students eligible for the SEMI program? Yes _____ No _____
 - Does the school district have a process for documenting expenditures eligible for reimbursement under the SEMI program? Yes _____ No _____
 - Has the school district been submitting Turnaround Documents for reimbursement on a monthly basis? Yes _____ No _____
20. Has the school district maintained supporting documentation for claims made for the SEMI or the Medicaid Administrative Claiming programs? The following would be required:
- Are reevaluations of the students in the SEMI program performed at least annually? Yes _____ No _____
 - Are parental consent forms available in the student file? Yes _____ No _____
 - Are IEPs available for claims made under the SEMI program? Yes _____ No _____

Cost Savings Programs and Inefficient Non-instructional Expenditures

N.J.A.C. 6A:10A-7.1(f)5iii requires Abbott school districts to participate in available cost-saving programs that include at least the Alliance for Competitive Energy Services (ACES), the Alliance for Competitive Telecommunications (ACT), the New Jersey School Boards Association Insurance Group (NJSBAIG), the New Jersey State Health Benefits Plan, and to be current in submitting all claims for reimbursable costs under the Federal "e-rate" program for encouraging the use of the internet. Abbott school districts that are currently not members of these cost-saving programs are required to document their membership by September 1, 2004 or demonstrate savings equal to or greater than members. Auditors are required to determine whether the school district was participating in the cost savings programs listed in *N.J.A.C.* 6A:10A-7.1(f)5iii during 2003-04 and document whether or not the school district is participating in the cost savings programs in the Audit Questionnaire. If school districts were not members of the cost savings programs listed in *N.J.A.C.* 6A:10A-7.1(f)5iii during 2003-04, auditors are required to determine why the school district was not participating in the programs and document that on the Audit Questionnaire. Auditors are also required to determine whether the

school district is maximizing its participation in all areas of the Federal e-rate program. Also, as part of their subsequent events testing, auditors are required to determine and then document in the Auditor's Questionnaire whether the school district became a member of the cost savings programs listed in *N.J.A.C. 6A:10A-7.1(f)5iii* by September 1, 2004.

The Audit Questionnaire 2003-04 included in The Audit Program, contains questions #27 through 33 (reprinted below for convenience) pertaining to the Abbott school district's participation in the cost savings programs listed in *N.J.A.C. 6A:10A-7.1(F)5iii*.

27. Did the school district participate in the following cost savings programs in 2003-04?

a. Alliance for Competitive Energy Services (ACES) Yes _____ No _____

If no, why didn't the school district participate in this cost saving program in 2003-04? _____

b. Alliance for Competitive Telecommunications (ACT) Yes _____ No _____

If no, why didn't the school district participate in this cost saving program in 2003-04? _____

c. New Jersey School Boards Association Insurance Group Yes _____ No _____

If no, why didn't the school district participate in this cost saving program in 2003-04? _____

d. New Jersey State Health Benefits Plan Yes _____ No _____

If no, why didn't the school district participate in this cost saving program in 2003-04? _____

28. Is the school district current in submitting all claims for reimbursable costs under the Federal E-rate program (the Schools and Libraries Universal Support Mechanism) for encouraging the use of the internet?

Yes _____ No _____

29. Has the school district applied for the maximum amount of Federal E-rate program funds in each of the following areas:

a. Telecommunications Services Yes _____ No _____

b. Internet Access Yes _____ No _____

c. Internet Connections Yes _____ No _____

30. Does the school district have a current Position Control Roster as required by *N.J.A.C. 6A:10A-7.1(f)5v*?

Yes _____ No _____

31. Did the school district enroll in the following cost savings programs for 2004-05 by September 1, 2004?

a. Alliance for Competitive Energy Services (ACES) Yes _____ No _____

If no, why didn't the school district enroll in this cost savings program by September 1, 2004 for the 2004-05 school year? _____

b. Alliance for Competitive Telecommunications (ACT) Yes _____ No _____

If no, why didn't the school district enroll in this cost savings program by September 1 2004 for the 2004-05 school year? _____

c. New Jersey School Boards Association Insurance Group Yes _____ No _____

If no, why didn't the school district enroll in this cost savings program by September 1, 2004 for the 2004-05 school year? _____

d. New Jersey State Health Benefits Plan Yes _____ No _____

If no, why didn't the school district enroll in this cost savings program by September 1, 2004 for the 2004-05 school year? _____

32. Did the school district incur late fees or penalties on the cash disbursement items tested during the review of internal controls and the application of standard testing methods, or during compliance testing and the performance of single audit procedures? Yes _____ No _____

If yes, how much interest was paid by the school district? _____

If yes, how much were the penalties paid by the school district? _____

33. Is the school district taking full advantage of allowable discounts for prompt payment?

Yes _____ No _____

If no, provide the amount of allowable discounts that were forfeited by the school district on items tested during the audit. _____

INSERT Appendix A-1

WSR TPAF and FICA Calculation to Comply with *N.J.S.A. 18A:66-90*

To display the total WSR, TPAF, and FICA Calculation illustration, click on the following link:

[TPAF](#)

Select the tab entitled “summary”.

Selecting print will produce the Appendix A-1 page of the Abbott Addendum

INSERT Appendix A-1a (Lincoln)

**School-based Calculation of Title I and All Other Federal Program Salaries
WSR TPAF and FICA Calculation to Comply with *N.J.S.A. 18A:66-90***

To display the School #1 WSR, TPAF, and FICA Calculation illustration, click on the following link:

[TPAF](#)

Select the tab entitled “Lincoln”.

Selecting print will produce the Appendix A-1a page of the Abbott Addendum

INSERT Appendix A-1b (Washington)

**School-based Calculation of Title I and All Other Federal Program Salaries
WSR TPAF and FICA Calculation to Comply with *N.J.S.A.18A:66-90***

To display the School #2 WSR, TPAF, and FICA Calculation illustration, click on the following link:

[TPAF](#)

Select the tab entitled “Washington”.

Selecting print will produce the Appendix A-1b page of the Abbott Addendum



State of New Jersey
OFFICE OF THE STATE TREASURER
PO Box 002
TRENTON NJ 08625-0002

JAMES E. MCGREEVEY
Governor

JOHN E. MCCORMAC, C.P.A.
State Treasurer

TO: School Administrators

FROM: John E. McCormac, State Treasurer
Department of Treasury *John E. McCormac*
William L. Librera, Commissioner *WL*
Department of Education

DATE: June 11, 2003

SUBJECT: Special Education Medicaid Initiative (SEMI)

We are writing to remind you of the requirements for billings under the Special Education Medicaid Initiative (SEMI) program.

As you know, SEMI allows both the State and the local school districts to receive federal dollars to offset the cost of providing medical services, such as therapy services to Medicaid eligible children in the schools.

Enclosed is a copy of the SEMI Handbook which outlines all the requirements that must be met for a school to receive the federal dollars generated under SEMI.

The SEMI Handbook describes various documentation requirements necessary for the implementation of the SEMI program. Throughout the handbook there are items needed to support the claiming of services. They include such things as maintaining parental consent forms and IEPs to indicate that certain services are claimable.

When reviewing the SEMI handbook, pay special attention to Chapter IV: Service Descriptions and Documentation Requirements. This section specifies what activities are considered billable under SEMI and describes evaluations and related services. In addition, this section indicates what documentation is necessary to support a claim for reimbursement. These include such things as physicians' orders for nursing services and physical therapy, as well as the importance of the IEP in determining why a service has been recommended.

If you have any questions regarding the SEMI program, please contact Lori Bemby of MAXIMUS. Ms. Bemby can be reached by telephone at (800) 618-7364 extension 200 or via email at loribemby@maximus.com.